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Restored/improved salmon habitat on Wiard Groeneveld Farm near Monroe, WA
partly funded by a grant through Pioneers in Conservation

Washington Conservation Incentives Project:

Report to the Puget Sound Action Team

May 2007

A project of the American Farmland Trust

American Farmland Trust
SAVING THE LAND THAT SUSTAINS US

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1. Introduction and rationale:

It is estimated that the population of the Pacific Northwest will increase by between 3 and 7 times over the next century.[1] Even the growth we have already experienced is generating significant environmental impacts – imagine our region with, say, five times its current population.[2] Those open, undeveloped landscapes that remain seem likely to become increasingly precious. And they seem likely to experience greater pressure from the rest of society as we seek to mitigate for the impacts of economic expansion, a rising standard of living, population growth, and urban development.

About 23.4 million acres, or some 54% of the land base of the State of Washington, is in private ownership.[3] Perhaps 85% of these private lands (roughly 20 million acres) are currently engaged in some form of active agriculture or forestry business.[4] Environmental quality on these lands is vital to the survival of countless species as well as to health, security, and quality of life for all our citizens. So how these lands are managed is vitally important to everyone.

At the same time, these lands are owned by a small[5] and not necessarily wealthy[6] group of people. The agricultural and forestry businesses through which these people manage most of these lands must compete internationally for survival. When a farm and forest business fails, the lands it owns and manages are almost always sold, subdivided, and developed for uses that are much more intensive.[7] The result is a fragmented land base, population influx, pollution, impervious surfaces, lost habitat, and other outcomes destructive for the environment.[8] The

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[1] Robert T. Lackey, *A salmon-centric view of the 21st century in the western United States*, Renewable Resources Journal, Autumn 2003, at p. 14.

[2] Ibid, pp. 14-15.

[3] Washington State Association of Counties, http://wacounties.org/wsac/policy_naturalresources.htm.

[4] According to USDA (http://151.121.3.33:8080/Census/Pull_Data_Census) 15.3 million acres in Washington State are in agriculture. There are about 4.5 million acres in "industrial" forest holdings in Washington and about 3.1 million acres in "non-industrial" small private land ownership. (See 2005 Examining Washington's Working Forest Stakeholders, http://www.nwenvironmentalforum.org/forestforum/topicpapers/tp9.pdf, or about 7.6 million acres in forestry total. Since the USDA farmland figures include 1.9 million acres of pastured and non-pastured woodlands, there is obviously overlap, but it can be estimated that there are probably 20 million acres of farm and forestlands, total, in Washington State. (Note: Some of these farm and forest lands may be operated by private individuals but ownership may be in the Washington Department of Natural Resources or other public agencies.) Thus, of Washington's 43.3 million upland acres, about 19.9 million (46%) are in government ownership, and 23.4 million (54%) are privately owned. Of those 23.4 million privately owned acres, about 20 million (or 85%) are in private farm and forestry.

[5] There were 34,000 farms in the state of Washington in 2003 according to USDA's NASS. *Agri-Facts* 2/6/07. See: http://www.nass.usda.gov/Statistics_by_State/Washington/Publications/Agri-facts/agri1feb.pdf

[6] For example, average net cash income for a Washington farm in 2002 was $33,925. *NASS 2002 Census of Agriculture, Washington State Profile*, p. 2. http://www.nass.usda.gov/census/census02/profiles/wa/cp99053.PDF

[7] Some 23,000 acres of farmland alone disappear from agriculture annually in Washington – an area about the size of Lake Washington. Based on table at: USDA Natural Resource Inventory (NRI), 1997 found at: (ftp://ftp-fc.sc.egov.usda.gov/WA/NRI_PDF/mf_pdfs/WA_lu_table.pdf)

[8] See the Draft Puget Sound Salmon Recovery Plan adopted by NOAA Fisheries, Chapter 6, Habitat, p. 411, for an analysis of the impacts of development of farm and forest lands. http://www.sharedsalmonstrategy.org/plan/docs/ch6/CHAPTER6habitat.pdf. For example, impervious land cover exacerbates runoff and pollution, with parking lots generating almost 16 times more runoff than a meadow of comparable size. See U.S. Department of Housing and Urban Development, State of the Cities Report.

resulting developed landscape is much more difficult to manage than the open space that preceded it. So it is in everyone's interests, where possible, to keep these lands in economically viable and well-managed natural resource production.

One of the best environmental restoration/protection tools we have is to secure the help of our private farm and forest landowners in replacing the environmental values we lose as society grows. The many locally-written watershed plans emerging across our state that depend heavily for their implementation on conservation incentives is testament to the political popularity of voluntary incentives – especially in the rural communities that are home to the farm and forest businesses we hope will remain intact in the years to come. So the question for this project was: how can we make these incentives programs as strategic, as cost effective, and as valuable a tool as possible for dealing with our state's growing environmental challenges while also helping our struggling agriculture and forest industries to survive and flourish?

2. Project description:

Key partnerships:

The first step in this project was to form a close working relationship with those groups and agencies for which conservation incentives are a critical issue. We worked closely with the following key partners in completing this project and sincerely thank them for their help:

- Washington Biodiversity Council (a project of the Interagency Committee for Outdoor Recreation). The Council has made strategic improvement of voluntary incentives a key element in their efforts to protect our state's areas of biodiversity.
- Washington State Conservation Commission and the Washington Association of Conservation Districts. Voluntary conservation incentives are the life-blood of the Commission and of the conservation districts throughout our state. The districts also help contribute an agricultural perspective on the issues.
- Puget Sound Partnership. Throughout this project we have sought to assure that our work and products would be useful to and consistent with the needs of the new Puget Sound Partnership agency that will take on responsibility for improving the Sound. To this end, we coordinated with Shared Strategy for Puget Sound and the Puget Sound Action Team.
- USDA/Natural Resources Conservation Service. NRCS is the federal heavyweight when it comes to cash incentives, contributing by far the largest single pot of funding to the effort and, accordingly, they have contributed a great deal of thought and research to learning how to make incentives more strategic.
- Western Washington Agriculture Association. As a direct participant in the Puget Sound Partnership and as representatives of commercial agriculture in perhaps the most environmentally threatened part of the state (and the part funded by PSAT in this project) WWAA contributed important insight into the perspectives of agriculture.
- Washington Forest Protection Association and the Washington Farm Forestry Association both contributed their particular perspective representing the large and small commercial forestry industry in our state.
- Defenders of Wildlife. Defenders of Wildlife has been working on incentives issues for several years, especially in Oregon, and their work, collaboration, and advice provided a strong foundation for our efforts.

- Evergreen Funding Consultants. Dennis Canty and his staff at EFC were an extremely valuable resource for this project, contributing research, technical support, political savvy, and program expertise throughout.

We need to particularly thank the Washington Biodiversity Council for their ongoing contributions to this effort. Project personnel were invited to participate in the planning committee and in the presentation of the Biodiversity Council's highly successful Washington Forum on Conservation Incentives held in Tacoma on January 5, 2007. We were made privy to and have incorporated the information from that event into our findings and recommendations. We have also used, and have included in this report, research and catalogue materials on the many current incentives programs assembled by the Biodiversity Council. (See appendix.)

Project steps:

The work on this project took place between April 2006 and May 10, 2007 and proceeded through the following steps:

- Initial research: We familiarized ourselves with current thinking in the published literature;
- Planning meetings of partners: Participating partners met to discuss the project and plan how it would be conducted and how each could contribute to a meaningful whole;
- Initial interviews with key experts: We did in-depth interviews with key people around the state to gain a stronger initial familiarity with the issues;
- Development of project summary and issue papers: A general descriptive summary of the project and 5 topical issue papers were written based on our research and initial findings. These helped inform future discussions and target our information gathering and outreach;
- Public presentations: We arranged and made numerous public presentations before audiences composed mostly of landowners affected by incentives to inform them and to receive their input on the issues;
- Focus meetings of experts: We conducted 3 intensive "focus meetings" of experts in conservation incentives, one with landowners and the agencies that work with them to help implement projects on their land (whom we will term "brokers"); a second with program providers/funders and brokers; and a third with program providers. These in-depth discussions included the top incentives participants in the State and allowed us to drill down and secure some of best thinking on how incentives work and how they could be improved;
- Washington Forum on Conservation Incentives: We assisted in planning and then participated in the Forum event prime-sponsored by the Washington Biodiversity Council and held January 5, 2007 in Tacoma and included the input from that event in our findings;
- Landowner survey: We provided a survey to a postal mailing list of 1,381 landowners, primarily in Western Washington, and on line to a larger electronic audience. We received 88 responses to this survey for a 6% response rate, and completed an analysis of the results.
- Final project report and recommendations for action: The within document represents our final report and recommendations for action for this project.
- Evaluation report: A report on our evaluation of our project's success was completed;
- Media: We have prepared a draft substantive press release and press contacts list anticipating a post-completion publicity effort to highlight the project, its findings, and recommendations.

Summary written materials reflecting each of these steps mentioned above are included in the body of this report and in the attached appendices.

3. Findings:

The research, public events, survey, discussions, and other work described above mostly included professionals who are closely involved with the system and landowners who use it. We believe these people are in a strong position to understand how conservation incentives programs work and can knowledgably suggest improvements. Of course, as a group, these are people who are supportive of incentives. But they spoke quite openly in identifying concerns about how the system currently works and suggested many ways in which it could be improved.

A. The role for incentives-based conservation:

Project discussions and research touched frequently upon the appropriate role of conservation incentives in addressing society's environmental challenges. Clearly there is a relationship between incentives and regulation. But it was also strongly argued that conservation incentives should be treated as providing compensation to landowners for going *above and beyond* the normal standards of social behavior and for providing extra value to society in addressing social issues of concern.[9] To view it in this way fully credits the social responsibility of the landowner and his or her own personal contributions and commitment while, at the same time, assuring that society receives true value for its expenditures as well.

The following observations emerged from our discussion of the appropriate role for incentives:

- Cost: Incentives offer significant cost advantages:
  - Incentives have the advantage that we know how much they cost (with regulation, for example, social costs may often be hidden). So, when we use incentives, we are actually in a position to attempt a measure of public cost effectiveness and to look for ways to improve it – one of the key purposes of this project.[10]
  - Because they are administered on a case-by-case basis, incentives result in costs being incurred at only those sites where improvements are actually needed and have been deemed beneficial (rather that throughout a community, activity, area, or regulated industry). Unwarranted public and social costs can be avoided simply by approving only those specific projects where the public benefits are worth the social cost.
  - Disruption of private economic activity is minimized with incentives. Because they are only used when the landowner is a willing and active participant, the actions resulting from incentives are usually well-adapted to the site-specific needs of the particular property involved and tend to avoid unnecessary economic side-effects.
  - Because the landowner is an active participant, often projects can be done in a way that provides environmental value to society, while at the same time often producing site improvements that are economically beneficial to the landowner.[11] Landowners then share the cost of such projects thus reducing the expense for the public.

[9] *Incentives for Biodiversity Conservation: An Ecological and Economic Assessment*, Casey, Vickerman, Hummon, Taylor (Defenders of Wildlife, 2006) p. 8.

[10] Defenders of Wildlife have identified several workable criteria for assessing the effectiveness and efficiency of conservation incentives. Ibid note 9 p. 20.

[11] This is the specific mission of the Pioneers in Conservation salmon recovery grants program initially developed for Shared Strategy for Puget Sound and recently adopted by the Washington State Conservation Commission.

- Individual and community synergy and support: Incentives have the capacity to enlist willing, even enthusiastic landowner participation in achieving social objectives rather than tending to incite potential opposition. They can generate positive interactive social pressure in a community and strengthen shared community values thus creating synergy that will enhance participation in and the effectiveness of the programs. Some of the most striking examples of successful environmental restoration on private lands are in situations where the availability of incentives brought about a broad shift in local community consensus and resulted in the active, positive participation of many local landowners.

- Opportunities for affirmative restoration: Many of our society's environmental goals require complex, positive activities and physical improvements in conditions on the land. Incentives have the advantage that they can bring such changes about. Such positive environmental restoration would be difficult or impossible to achieve solely with prohibitory regulation. Because the landowner is an active, willing participant, these improvements can be accomplished in a site-specific way that is not only consistent with the landowner's own needs for the property, but is also more likely to achieve the desired social result.[12]

- Encouraging socially-beneficial landscapes: Strong incentive programs can have the positive effect of helping farm and forest landowners remain in business and helping them keep their land in well-managed natural resource uses and out of landscape-fragmenting development. This can help society preserve the large-parcel, open, mostly natural and undeveloped private landscapes that are so necessary for the environment and for wildlife habitat.[13] One unintended consequence of the use of regulation can be to heighten costs of doing business to a point where these lands fall to development and to other more intensive and less environmentally friendly uses.

- Fairness: Of course there are social responsibilities that everyone should comply with. But there are also circumstances when public compensation should be paid. For example, many people feel that expensive environmental restoration on private lands for mostly public purposes should be mostly paid for by the public.[14] Incentives are a tool that allows us to find the appropriate balance of fairness as a minority of pressured private owners of a diminishing resource of open lands is increasingly expected to help mitigate for impacts potentially caused elsewhere in a rapidly growing society.

B. Landowner participation

For spending on conservation incentives to be more strategic and cost-effective, more of those targeted landowners whose participation is identified as important to success need to be willing to participate. The vast majority (about 85%) of Washington's private lands are currently engaged in commercial farm or forest uses so their owners treat the land, at least in part, as a business asset and view conservation incentives, at least in part, as a business proposition. These farm and forest landowners were the people upon whom this project was mostly focused. The

[12] Ibid note 9, p. 13-15.
[13] See Puget Sound Salmon Recovery Plan adopted by NOAA Fisheries, Chapter 6, Habitat, p. 413. http://www.sharedsalmonstrategy.org/plan/docs/ch6/CHAPTER6habitat.pdf.
[14] Ibid note 9, at. p. 14.

barriers to participation that they identified and that were identified by those professionals who work with them included:

- There are so many programs and so many agencies each with different applications, deadlines, priorities, and purposes that the system is bewildering for most landowner applicants and even for the professionals who work in the system;
- The programs that are made available to landowners often do not address their particular needs or are not offered to them as a package that is, taken together, sufficiently useful. The landowner often may not qualify for the programs that are of most interest. The landowner may feel that help with one problem (such as protecting the land) could be mooted if he/she cannot get help with another (such as improving environmental performance);
- Landowners are unaware of the relevant programs that may be available and it is too difficult to learn about or come to understand them;
- There is mistrust of government and concern that inviting people on their land to deal with conservation issues will invite future regulatory problems. There is also concern about maintaining privacy – incentives programs need to offered by agencies that do not also have regulatory enforcement responsibilities;
- The complexity of the required paperwork, the number of separate applications, and the general bureaucracy associated with applying is to great – there is not enough professional assistance with applying;
- There is not enough guidance and technical assistance available, generally;[15]
- The differentiation between farm and forest programs makes the process especially complicated and cumbersome for owners whose land includes both;
- The cost-share contribution expected of the landowner is too high – especially in cases where private benefit from the project is minimal.

Despite these barriers, we have strong anecdotal evidence that the promise of incentives programs is sometimes wonderfully fulfilled.[16] There are many examples of watersheds or communities that, with the aid and support of properly-funded and well-organized incentives programs, at quite reasonable cost, have successfully coordinated available programs, enlisted enthusiastic local support, accomplished dramatic changes in collective private behavior, and produced substantial and clearly measurable benefit for the environment. Clearly there must be lessons to be learned from these experiences that could be applied comprehensively. It is clear that, when correctly motivated, landowners will readily participate.

C. Strategic leverage: [17]

Our experts told us that incentives programs tend to spread their limited funding very broadly and thinly across the landscape.[18] Gains in cost-effectiveness might be achieved if our collective spending on conservation incentives were targeted to geographic areas where the most

[15] Defenders of Wildlife have noted the lack of local technical assistance. Ibid note 9 p. 77.
[16] See, e.g. the projects mentioned in the various annual reports of Washington's local conservation districts on line at: http://filecab.scc.wa.gov/index.html?DIR=Districts/Annual_Reports/2006
[17] For a discussion of better targeting, see ERS Economic Brief Number 2: "Better Targeting, Better Outcomes;" L. Hansen and D Hellerstein; USDA Economic Research Service; March 2006; www.ers.usda.gov/publications/eb2. See also /eb1, . . . /eb3, . . . /eb4, . . . and /eb5.
[18] Report of Evergreen Funding Consultants to Washington Biodiversity Council on "Conservation Incentive Programs in Washington State: Trends, Gaps, and Opportunities:" http://www.biodiversitypartners.org/state/wa/biodiversity_report.pdf.

severe problems exist or where the greatest areas of biodiversity are at risk. Some of these geographic priorities might be statewide decisions, but many would be decisions made in local communities or watersheds. We might also better identify, understand, and value the multitude of other potential priorities and opportunities, in addition to problem area or geography, that ought to play a part in making these programs as effective as possible.

It also seems intuitive that there would be opportunities for making our collective public spending more strategic. In any competitive funding process, some projects decisively stand out as a bargain, as providing substantial "bang-for-the-buck." Some landowners are more willing than others to contribute their own efforts and financial support. And every technical assistance provider knows of situations where, if a slightly different "package" of program offerings had been available, a particular hesitant landowner could have been convinced and huge conservation benefits could have been achieved at a very reasonable cost.

Likewise, progress made at some "keystone" locations may be essential to progress elsewhere or may greatly increase the benefits of other, related efforts – fixing a blocked culvert on an otherwise highly productive salmon stream, for example. Some problems and some geographic locations seem to deserve higher funding priority because they are more strategic – in areas of high biodiversity, for example. In cases like these, the potential public-benefit "pay-off" for being more strategic could potentially be substantial.

Among the factors that were identified as tending to limit the strong prioritization and targeting of incentives programs are:

- The great many agencies and organizations offering the various kinds of incentives have their own separate sets of purposes, priorities, and constituencies and generally do not cooperate in setting or in implementing them (see D, below);
- We have limited knowledge of the potential areas of biodiversity where the greatest opportunities exist;
- It is difficult to assess the relative "importance" of different environmental concerns that may affect different geographical regions in the state. The necessary intimate local knowledge of the local impacts may be ignored in any statewide prioritization effort that may not understand those local impacts;
- It is challenging to assign relative importance to priorities for conservation problem areas or geographic conservation areas. And it is doubly challenging to compare such "global" priorities with local or site or project-specific priorities for such intangibles as community leadership & synergy, landowner commitment & personal contributions, specific conditions and conservation opportunities at a particular site, additive project contributions that build on previous work, ability or inability to measure meaningful outcomes, etc.
- Targeting for a voluntary program probably requires that a higher percentage of those landowners that are include in the more limited population who can contribute to the prioritized goal must be willing to participate. This may increase the absolute cost of each landowner's participation and assumes that the increased value received was worth the increased cost expended.
- Without strong outcome measures and consistent monitoring, it can be difficult to clearly demonstrate the value of using a new set of priorities.

- Targeting, especially geographic targeting, may shift spending among regions of the state affecting the political constituencies that support that spending.

D. Coordination among programs:

Strategically targeting incentives programs to the areas of greatest need and opportunity can, of course, be most effective if the agencies that offer and fund these programs cooperate in establishing and acting on agreed priorities.[19] Each of the many programs is designed to address different purposes or concerns, operates with different (but overlapping) priorities, and is supported by different constituencies. Coordination among these programs tends to be weak even though there are obvious strategic advantages to coordinating and to working together toward common social objectives. [20]

Generally speaking, incentives funding is spread very thinly and broadly across the landscape with only limited coordination currently taking place.[21] The most significant process in Washington is the State Technical Committee and Local Working Groups managed by USDA-Natural Resources Conservation Service.[22] NRCS is by far the largest single cash conservation incentives funder so there is a significant motivation for other funders/programs to participate in its process and a distinct possible strategic benefit from their doing so. There is, however, also a very large time and personnel commitment to such participation so, in practice, participation by other programs in this process tends to be inconsistent. It can be difficult to coordinate programs with multiple objectives – even within a single administering agency.

For example, protecting the land may be important to assuring the long term value of an investment by a farmer or by the public in environmental stewardship. Conversely, a public investment in land protection could be seen as devalued if the land is thereafter poorly managed. A farmer may have both farm and forest lands and the value of work on one might be diminished if work on the other cannot be done at the same time – yet the farm and forest incentive programs might be quite different, with different standards, administered by different agencies.

Barriers identified that prevent better program coordination include:

- Coordination is time-consuming and costly for each agency/organization and there is rarely funding for such activities since it is not always clear how coordination contributes to each agency's individual mission and success;
- Even individually, the programs are complex and the differing priorities and objectives of each make finding common ground difficult – there is often no agreement even on what it means to be strategic;

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[19] For example, the Pacific Coast Joint Venture coordinates private and public funding to help strategically address waterfowl issues under the North American Wetlands Conservation Act in the Pacific Coastal regions. See: http://www.pcjv.org/about_us.html. For Washington, contact: Joe LaTourrette, (360) 754-2594 , joe_latourrette@pcjv.org

[20] See ERA Report Summary: "Balancing the Multiple Objectives of Conservation Programs;' A. Cattaneo, D. Hellerstein, C. Nickerson, and C. Meyers; May, 2006, available at: www.ers.usda.gov/publications/err19.

[21] For comparison, consider the advantages of the Oregon Sustainable Agriculture Resource Center now in development in that state. http://inr.oregonstate.edu/download/osarc.pdf.

[22] For example, see the discussion of the role of the State Technical Committee and local working group process in connection with the NRCS EQIP program at: http://www.wa.nrcs.usda.gov/programs/eqip/FY05/eqip.html.

- There are no shared and truly meaningful measures of success among the agencies involved and no fully common protocols for monitoring project outcomes;
- Project outcome monitoring itself is not consistent and often falls victim to limited funding;
- There is no single shared database or central location where all projects are tracked – agencies do not know what other agencies are doing. There is no real statewide coordination of watershed plan implementation taking place;
- We lack basic factual information about key issues – for example:
    - We do not know the actual conversion rate of resource lands to development around the state or the rate of depletion of many natural resources,
    - We do not have agreement on basic GIS information, for example on locations/levels of vegetative cover or on where streams are located,

  . . . so it is difficult to make comparisons around the State or to assess the impact of project work;
- Levels of technology, language usage, and what our experts referred to as problem ”typologies” or “architectures” and other internal agency approaches to problems differ;
- Each agency has its own set of rationales and approaches to justifying its work and funding so there is limited organizational motivation to participate in a process that might undermine or moot their established approach.
- The special zoning and protections for farm and forest lands make them a bargain and hence especially vulnerable to set-asides for environmental mitigation and to eminent domain and other public actions by developers or by agencies for which saving agriculture and forestry is not a concern. This undermines the critical mass needed for sustainable farm and forest industries. Since there is no state policy, established criteria, or active process for protecting these lands, the organized farm and forest industries have come to resist such activities.

E. Scarce funding

A common theme heard throughout our work was the many ways that lack of funding can drive the system to be less efficient as well as less effective. One might intuitively expect that funding limits would force the system to be more strategic with the available dollars – and there are ways in which that may be true. But with incentive programs, the reverse may also be the case. There are numerous ways in which lack of money can drive the system to be less strategic. For example:

- Lack of funding can make it impossible to offer incentives that are so appealing that landowners will apply in sufficient numbers that they truly compete to participate. Program managers end up choosing between only a small number of applicants rather that having a sufficient pool of applicants from which they can select the ones that provide the best public or strategic value or that allow them to focus on an important priority – this is a frequent balance program managers must strike;
- Inadequate funding for strong, on-the-ground watershed personnel limits our ability to generate local landowner interest and trust, makes it difficult to identify the best projects, and erodes our ability to bring the best tools to bear at the local level;
- Coordination between agencies is costly so, without funds to pay for it, coordination suffers and any chance to improve effectiveness through collective strategy disappears;
- Funding limits that reduce technical assistance can drive agencies toward bureaucracy, make processes more complex for the public, and drive potentially needed landowner participants away from the program;

- Rigorous contract enforcement can become problematic for an agency whose future success depends on the generosity of participating landowners rather than, where needed, being able to provide full and fair payment for the environmental value received. While the personal contributions of well-intended landowners is a plus, such gains can be diminished by hesitancy to enforce conservation contracts over the long-term;
- The absence of a robust incentives alternative may tend to drive policy-makers either toward regulations (which may, ultimately if less visibly, cost more), or toward taking no action at all to address important environmental problems, which may, ultimately, cost more yet;
- Badly needed but costly and complex monitoring and measurement systems can be an early casualty of limited funding or less meaningful but easier to obtain measures may be substituted, thus aggravating the difficulties with becoming strategic;
- Etc.

Considerations that seem to have limited the availability of funding for incentives include:

- The confidence of policy-makers may be diminished by worry that incentives programs may not be as strategic or cost-effective as they might be – hence this project;
- There is concern that we may be paying landowners to take actions which should be their responsibility in any case thus, in effect, spending public funds for private benefit – there doesn't seem to be a clear public understanding of when incentives are appropriate and when we must turn to regulation and there doesn't seem to be a clear criteria for deciding which is most appropriate in any given situation;
- Monitoring of outcomes and measures of success need improvement[23] – yet improved measures tend to be complex, so become more difficult to explain to the public and to the policy community;
- There has been no real connection between the sources of funding for conservation incentives and the environmental impacts that create the need – there is no built-in "market" for environmental services that can help pay for these landowner services (see F, below);
- There has been little research that clearly documents and values the environmental services provided by natural resource lands so these values have been "externalized" by the marketplace and paying for them becomes difficult to justify;
- Direct government spending is always a political challenge – it can be easier to regulate and simply visit the costs on the regulated minority. So, for example, we may write watershed plans upon the assumption that implementation will depend on incentives, and then fail to secure the needed funding and be forced to fall back on regulation.

Thus, scarce funding would seem to push us toward exactly the system we now have in place.

F. The market for environmental services

One reason we lack adequate funding for incentives is that there is no meaningful marketplace for the environmental services they purchase. Without an accepted way to price critical environmental values, they are externalized in the current products marketplace. So it is left to government or private charity to protect them. The government funding that is currently provided for conservation incentives does not generally come from funding sources that are

[23] NRCS Water Quality Conservation Resource Brief # 0603, February, 2000, reports that it may take up to 10 years for improved land management to produce measurable improvements in water quality. http://www.nrcs.usda.gov/feature/outlook/Water%20Quality2.pdf.

linked to the causes of the problems addressed. Instead, conservation incentives generally compete for public appropriations with social services, law enforcement, education, infrastructure, and the whole broad array of general public concerns.

There is every reason to think farm and forest landowners would be amenable to participating in a well-designed conservation services marketplace. Their current profitability is insecure. Participation in such programs could generate reliable cash flow. Farmers and foresters are knowledgeable of in and take pride in the very skills it takes to produce environmental services. And they have a strong apparent preference for remaining on the land rather than selling out. Federal and state policies on environmental mitigation are evolving to allow on-farm conservation projects to meet mitigation and compliance requirements. The market for on-farm conservation requirements is potentially very large.

Factors identified as potentially slowing or preventing the development of an independent marketplace that could help fund conservation incentives include:

- There has been no studied assessment of the interest and potential commitment in the farm/forest industries in participating in such a program nor have we fully identified how such a program would work.
- It is unclear whether there is interest and potential commitment among permitting agencies and permit applicants for allowing on-farm conservation services to be used to fulfill mitigation and compliance requirements.
- Weakness in project monitoring and outcome measures may undermine confidence;
- It is not yet clear how on-farm conservation services could fulfill existing mitigation/compliance requirements while still allowing traditional, albeit modified, agriculture and/or forestry to continue.

4. Recommendations:

The recommendations presented below represent the complete assembly of proposals for change that emerged from our research, interviews, input, and discussions in this project. The project personnel and partners are also completing a short-list of recommendations for those action items that might be treated as "ready-to-go" and appropriate for early action on a more limited budget than might be required for the totality of the recommendations presented below. These "ready-to-go" recommendations will be provided in a summary report that will be produced and distributed in the immediate future.

We present the below recommendations here in their complete form, however, so that the reader can receive a full perspective on the problems we face and on the various ways our work suggested those problems might be addressed.

A. The role for incentives-based conservation:

Need:

Clarify the appropriate role of incentives so that we take advantage of their strengths and opportunities while minimizing weaknesses and so that we most fully protect private farm and forest lands from indirect pressures that might remove them from natural resource production.

Actions:

1. Create a process to determine appropriate public/private contribution level and match:
Create a public involvement process to establish (and adapt over time) criteria for determining the level or percentage of public incentive funding offered for different projects based upon the cost, the public vs. private benefit conferred, and needed participation. Design the process to leave appropriate room for decision authority at the local level and at the case-by-case level. Responsibility: State Conservation Commission. Cost: $50,000 one time only with an added possible continuing administrative cost.

2. Adopt a state farm and forest protection policy:
Require state agencies and subdivisions whose activities would result in the loss of or impacts to farm or forest lands to either find alternatives or to demonstrate why there is no practicable alternative. Create an open public process for the review of the decision and rationale. Responsibility: Participating agencies. Cost: $60,000/biennium.

3. Adopt and implement an environmental mitigation policy that protects farmlands:
Adopt objective criteria for the selection of lands appropriate to be acquired for mitigation of public or private development that protects agricultural lands. Require a reviewable public decision process that provides ample opportunity for public input into the development of those criteria and into their application in practice. Responsibility: Participating agencies. Cost: $60,000/biennium.

B. Landowner participation:

Need:

To improve the access, appeal, and usefulness of incentives programs for landowners and to otherwise strengthen the conservation incentives assistance available so that more of the key landowners will have an interest in participating.

Actions:

1. Conservation incentives clearinghouse:
Create a comprehensive, publicly accessible, easy-to-use, updated catalogue of conservation incentives programs of all types. Provide that catalogue and assistance to landowners and to the watershed/community conservation professionals who work with landowners so they have readily available information on what incentives programs might be available at any given time to any particular landowner or community. Responsibility: The new Office of Farmland Preservation housed in the State Conservation Commission has been tasked with making a start at creating this program. Cost: In OFP & Conservation Commission 2007-09 Budget.

2. Single application for multiple programs:
Work with the major incentives providers to develop a "virtual application" that as many as possible will accept as a first step in making application for the programs that they offer. A committee of providers would sort through the applications to determine appropriate funding sources. This could be modeled after the state clean water grant and loan processes. Responsibility: Participating agencies. Cost: Covered by participating agencies.

3. Consistent program availability training for watershed/community coordinators:
Create a formal training, information, (and possibly a professional certification) program for watershed/community conservation project professionals that keeps them fully and periodically informed about the current status, requirements, and possibilities of the broadest possible scope of conservation incentives programs potentially available to their landowners. This could be done through ongoing workshops, newsletters, and other training and communications programs and could include training in the use of the conservation incentives clearinghouse. Responsibility: Local conservation districts and State Conservation Commission. Cost: Would require a small increase in Commission funding for training and communications.

4. Stable cadre of professional watershed/community coordinators:
Commit long-term funding for a core group of professional watershed coordinators in key areas around the state. This group of coordinators would remain in place for several years, build up local trusting relationships, and become thoroughly versed in their local watershed and in the programs that can be used there. Use this stable core group to build the professional cadre of local watershed coordinators around the state. Responsibility: State Conservation Commission and conservation districts. Cost: $4 million/biennium for approx. 20 new watershed coordinators.

5. Public education on incentives programs for landowner communities:
Provide ongoing education to the landowner community on the of various incentives programs and provide contact information for professionals who can help them participate. Responsibility: State Conservation Commission and conservation districts. Cost: $500,000/biennium.

C. Strategic leverage:

Need:
Identify the most important priorities for conservation incentives spending and target that spending so it appropriately addresses those priorities.

Actions:
1. Create a new fund for incentives in high conservation value areas:
Establish a new fund whose specific function is to provide supplemental funding for incentives for work in areas of high conservation value. This would be similar to Oregon's "Flexible Incentives Account" and could help supplement current funding in areas of high biodiversity, for example, fill gaps in current programs, and provide a motivation for other funders to join in projects in high priority areas or on problems of high importance. Responsibility: State Conservation Commission or Interagency Committee for Outdoor Recreation. Cost: Initially, $2 million/biennium with potential increases later.

2. Additional funding to most strategic programs:
Provide additional funding to those incentives programs that offer user-friendly features making them more appealing to landowners and that demonstrate the ability to easily focus on strategic priorities. (For example, consider: CREP, Pioneers in Conservation, WWRP farmland program, etc.) Responsibility: Interagency Committee for Outdoor Recreation. Cost: Included within the IAC budget for new fund for high conservation value areas – above.

3. Identify gaps in existing coverage:
With each individual existing program aimed at specific topics, problems, or geographic areas, there are clearly gaps in program coverage that prevent the collective effort from being strategic in specific omitted areas. One example is probably those lands that provide opportunity for conservation enhancement but that are not in either active agriculture or forestry. These gaps need to be identified and recommendations made for addressing them. Responsibility: Interagency for Outdoor Recreation. Cost: $35,000 one time only.

4. Identify conservation priorities:
Use resources assessments and mapping, watershed and regional plans, and land ownership to identify priorities. This could be based on ecological hotspots or on slowing conversion on the suburban/rural interface. Make products available to providers. Responsibility: Interagency for Outdoor Recreation or State Conservation Commission. Cost: $50,000 one time only.

5. Modify program criteria:
Modify program criteria wherever possible to emphasize agreed upon conservation priorities and boost the competitiveness of projects that focus on priority areas and partnerships.
Responsibility: Affected agencies. Cost: Covered by participating agencies.

6. Single application for multiple programs:
Consider agreed upon priorities as a part of a unified applications process. (Covered above.)

7. Open space program improvements:
Make current use - open space programs more strategic by providing additional staff so these programs could do a better job of assuring that those landowners who should be in the program are, and that those who do not belong in the program are kept out. Also provide a new open space designation for areas of high biodiversity. Responsibility: Local county governments.
Cost: Varies by county.

D. Coordination among programs:

Need:
To improve coordination among agencies, public and private, so that joint resources can be targeted toward mutual priorities thus more effectively addressing public needs and presenting more useful packages of offerings to participating landowners.

Actions:
1. Gubernatorial leadership through an interagency meetings process:
Create a state process (perhaps inviting participation by sister agencies in other governments), with leadership from the Governor's Office, that can address the above inter-agency problems at a policy level and motivate participants to work together to address them. Responsibility: Governor's Office. Cost: Covered by participating agencies.

2. Coordination process at the field manager level:
Provide committed funding for agency participation in interagency, intergovernmental, public-private coordination at the field manager and project level. Share project information , secure joint participation in projects where appropriate, help propose solutions to the various

interagency coordination issues. Include participation by clearinghouse personnel. Responsibility: Could be led by State Conservation Commission or Interagency for Outdoor Recreation. Cost: $100,000/biennium

3. Integrate competitive criteria for land protection and stewardship programs:
Programs that fund land protection and programs that fund environmental stewardship should provide a limited competitive advantage for applicants that participate in both. Responsibility: Participating agencies. Cost: Covered by participating agencies.

4. Coordinate program offerings of land protection and stewardship:
Programs offering incentives for land protection and those offering incentives for environmental stewardship should be coordinated and designed so that when one program is made available to a landowner, the other can also offered at the same time so the landowner has the opportunity to consider each in the light of the other. Responsibility: Participating agencies. Cost: Covered by participating agencies.

E. Scarce funding:

Need:
To provide funding for incentives programs that is commensurate with the need and justified by the circumstances. To establish structures (or a marketplace) that will create secure funding for environmental services on private natural resource lands in the years to come.

Actions:
1. Enhance recognition programs for environmental stewardship:
There should be an annual Governor's Recognition award for outstanding land stewardship by landowners honored each year with a ceremony, public recognition, and publication of stories of stewardship. As an alternative, the Governor and state agencies could support existing recognition programs sponsored by existing nonprofit groups. Responsibility: Governor's Office. Cost: Current budget up to $50,000/biennium, depending on scope.

2. Explore new funding mechanisms for purchasing protection from development:
Among its responsibilities, the new Office of Farmland Preservation has been tasked to develop a proposal for protecting lands from development and helping agriculture. Similarly, we should explore new revenue sources from current taxation, for example from fees on new development. And we should expand the use of transfer of development rights, tax credits, and other mechanisms for funding the purchase of agricultural easements to protect land from development. Responsibility: Office of Community Trade and Economic Development in Cooperation with State Conservation Commission. Cost: May be included in current budget for OFP and covered by CTED budget.

3. Support certification programs that enlist consumer support for the environment:
There are several market certification programs that market environmentally sensitive products to consumers. The state could support these programs through a grants program, with technical assistance, and/or through public participation in their promotions. Responsibility: State Conservation Commission. Cost: Initially - $100,000/biennium for grants.

4. Remove disincentives:
Create a working group to study and make recommendations on removal of regulatory disincentives that tend to work against conservation. This group could propose alternative mechanisms, including regulatory flexibility, to achieve desired outcomes. It would also assess the capacity of agencies and governments to use voluntary approaches. Proposals offered by this work group could be tested through one or more pilot projects. Responsibility: Interagency Committee for Outdoor Recreation. Cost: $40,000 one time only for initial study.

5. Assess incentives and disincentives in the tax code:
The same, or a different working group could conduct an assessment of federal, state, and local tax codes to identify incentives and disincentives for conservation and to recommend changes that would strengthen conservation. Responsibility: Interagency Committee for Outdoor Recreation. Cost: $40,000 one time only for initial study.

F. The market for conservation services:

Need:

Create a marketplace for conservation services that allows public and private development to acquire needed mitigation/compliance by funding conservation incentives on private lands. Provide funding for conservation incentives that comes from revenue sources tied to activities that tend to increase the need for stronger environmental performance elsewhere.

Actions:

1. Assess private landowner interest and recommend needed institutional structure:
Assess the interest of farm and forest landowners in participating in on-farm conservation markets using mitigation and compliance funding. Identify the services, products, and market institutions that would be needed to sustain a market for on-farm conservation products. Responsibility: State Conservation Commission or Interagency for Outdoor Recreation. Cost: $30,000-40,000 by contract

2. Assess permitting agency and applicant interest and commitment:
Evaluate the interest from major permitting agencies in allowing the use of on-farm conservation actions as fulfillment of mitigation/compliance requirements. Identify applicants who would be willing to participate. Responsibility: State Conservation Commission or Interagency for Outdoor Recreation. Cost: $15,000-25,000 by contract

3. Pilot project-specific agreements:
Develop and permit mitigation and compliance agreements for specific development projects using on-farm conservation services to demonstrate effectiveness and highlight issues. Responsibility: State Conservation Commission or Interagency for Outdoor Recreation. Cost: $25,000-35,000 by contract

4. Explore other market options:
Evaluate other environmental markets, including carbon markets, pollution trading, etc., that could potentially provide conservation services income to farmers. Responsibility: State Conservation Commission. Cost: $10,000-15,000 by contract

5. Assign responsibility in state government for developing a conservation marketplace: Assign the responsibility for developing and managing the emerging conservation marketplace. This agency would coordinate markets, assure values are based on sound science, see to bundling of credits from various sources to maximize benefits, help leverage and integrate private and public resources, create ongoing relationships with landowners, NGOs, and sister agencies. Responsibility: State Conservation Commission. Cost: $100,000/biennium

5. Final comment:

There is a deep and growing interest in conservation incentives. And there is strong commitment by those who work with them to making them work effectively. We had amazing interest in this project. Every activity we conducted: initial interviews, our three focus groups, the Statewide Forum, our landowner survey, the planning sessions, or the public presentations, all drew levels of participation and interest far beyond what we anticipated. And the many professionals we worked with gave generously of their time and spoke openly about how their programs could be improved and how we might collectively work together to create a stronger system.

So those of us who believe voluntary conservation incentives are a critically important tool for addressing society's major environmental problems can take heart. There is a good deal of support for what we believe. And, as we hope this report will demonstrate, there are clear directions to be taken in strengthening the programs we believe in.

Respectfully submitted:

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