NORTH COAST RESOURCE PARTNERSHIP

FUNDING STRATEGY
***Draft* January 2016**

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Background: North Coast Resource Partnership Funding

The North Coast Resource Partnership (NCRP) has been very successful over the last ten years in attracting funding for the North Coast region, consistently ranking in the top 5% of competitive grant awards in California. To date, over $60 million dollars have been received by the NCRP to fund a variety of integrated projects that enhance and restore the region's built and natural infrastructure. Funding has primarily derived from California Water bonds – including Propositions 50, 84 and 1 – with the majority of the funding coming from the California Department of Water Resources and State Water Resources Control Board via the Integrated Regional Water Management (IRWM) Program. The IRWM program - created via SB 1672 - supports the formation of IRWMP s and their leveraging of outside funding to complement State investments. Other funding for the region has been provided by State agencies including the Strategic Growth Council and the California Energy Commission. Appendix A includes a listing of funding awarded to the NCRP.

In addition to strong support by its State Agency funding partners, the NCRP has received ongoing financial support from the Sonoma County Water Agency, which has provided funding for planning, regional coordination and support of the Policy Review Panel and Technical Peer Review Committee, grant applications, stakeholder outreach, and the development of a regional website. The County of Humboldt has provided ongoing local support by acting as the administrative and contracting lead for grants that are awarded to the NCRP, as well as overseeing all implementation projects. Finally, local counties, tribes and project proponents have provided hundreds of thousands of dollars in matching funds, with this financial and human capital very effectively leveraging state and local investments.

Compared to most of California, the North Coast region has a relatively small population, a high percentage of economically disadvantaged communities, and significant issues with failing or sub-standard built infrastructure. Additionally, this oftentimes challenged population is charged with the protection and effective management of large amounts of natural infrastructure/natural capital (streams, forests, agricultural lands)

that are not strongly connected by built infrastructure (water, energy and communications). These natural capital features – such as functional watersheds, intact stream systems and forests – are "source areas" for the rest of the state and in some cases the entire world, providing services such as carbon sequestration, biological diversity, clean and abundant water that profoundly benefit communities outside of the North Coast region. Relatively small investments in the North Coast region are very impactful compared to more urban parts of California: the existence of small, decentralized built infrastructure and relatively intact natural capital (as opposed to large centralized water systems and profoundly degraded watersheds) ensures that investments in these built and natural systems are very cost effective.

The North Coast region has benefitted immensely from the state and local investments that have been made to date – positively transforming severely degraded built and natural infrastructure to address negative impacts on community health, ecosystem health and economic vitality. The NCRP Policy Review Panel is interested in building on the foundation of ten years of successful collaboration to increase the scope and scale of its impact, and to enhance the long term security and stability of the successful North Coast Resource Partnership. This continuation and expansion of a successful model will ensure that the investments made to date – including economic, relationship and project investments – continue to pay dividends over the long term.

<u>Desired Outcomes</u>

The NCRP leadership is seeking to expand the scope and scale of funding for the region while maintaining the high quality foundation of funding, governance and collaboration that has been so successful over the last ten years. The NCRP leadership is interested in exploring mechanisms to ensure long term resiliency of funding and financing by diversifying its sources of funding, thereby making the loss of one funding stream less impactful. At a minimum, the NCRP wishes to maintain a diversified portfolio approach to funding the NCRP that provides:

a) A continued and secure base level of funding that allows for the day to day staffing and administrative functions of the partnership (Policy Review Panel and Technical Peer Review Committee support, meeting coordination, stakeholder engagement, grant application development, maintenance of website and communication tools).
b) The ability to attract and leverage planning funds for ongoing capture and synthesis of NCRP goals, objectives and innovations – ie, support for the very successful NCRP adaptive planning framework which results in a multi-objective roadmap focused on healthy watersheds, healthy communities and healthy economies
c) The ability to attract and leverage implementation funds to execute NCRP plans – including funding for:
    - built infrastructure (water, wastewater, energy, communications)
    - natural capital/natural infrastructure (watershed protection and restoration - including stream and fisheries restoration, forest health, ecosystem resiliency - viability of working lands)

- economic and community vitality, including innovations in access to capital and financing mechanisms that provide benefits to local economies and community health

Criteria for New Funding Sources and Strategies

The NCRP Funding Ad Hoc Committee (comprised of Policy Review Panel and Technical Peer Review Committee members) has developed the following draft criteria for considering new funding strategies and sources:

a) Builds Upon and Expands Successful Foundation

The NCRP has built a partnership over the last ten years that is highly respected statewide and nationally for its leadership, inclusiveness, transparency, governance structure, high quality planning and project execution, and for its reliance on science, technical capacity and innovation. The NCRP values its existing foundation of success and intends to maintain it.

The NCRP recognizes that the partnership currently has the luxury of being thoughtful and strategic in how it builds on this position of strength, rather than being reactive in seeking funding. Therefore, the NCRP wishes to ensure that the pursuit of new funding approaches or sources does not compromise its successful foundation. The Policy Review Panel will evaluate new funding sources based on the following:

- **Supports existing leadership and governance structure** comprised of local elected officials from counties and Tribes;
- **Supports, maintains and expands existing positive relationships and collaborations** – among counties and Tribes, between stakeholders and the NCRP, between the NCRP and state and federal agencies (ie, DWR)
- **Maintains state and national reputation** as a unique, effective, inclusive and efficient regional partnership
- **Thoughtfully leverage existing resources/"go slow to go fast"**: given that the NCRP has funding for planning and implementation for the next five years, strategically build and implement this funding plan from a position of strength, using a proactive rather than reactive approach to opportunities. Taking the go slow to go fast approach allows us to look at emerging funding streams – the funders of tomorrow – and to capitalize and leverage the region's many attributes.

b) Aligns with and Supports NCRP Goals and Objectives

The NCRP has an established vision, and a comprehensive set of integrated goals and objectives. The NCRP seeks funding partnerships that achieve the multiple objectives of the NCRP as well as the goals of the funder, and will not pursue funding sources that are not aligned with NCRP goals and objectives. Specifically, it is imperative that potential funders understand, respect and support the NCRP's objectives related to local autonomy and the knowledge and strategies that are best suited to local communities.

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Goal 1: Intraregional Cooperation & Adaptive Management #
Objective 1 - Respect local autonomy and local knowledge in Plan and project development and implementation

Objective 2 - Provide an ongoing framework for inclusive, efficient intraregional cooperation and effective, accountable NCIRWMP project implementation

Goal 2: Economic Vitality #
Objective 3 - Ensure that economically disadvantaged communities are supported and that project implementation enhances the economic vitality of disadvantaged communities by improving built and natural infrastructure systems and promoting adequate housing #

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Objective 4 - Conserve and improve the economic benefits of North Coast Region working landscapes and natural areas

Goal 3: Ecosystem Conservation and Enhancement #
Objective 5 - Conserve, enhance, and restore watersheds and aquatic ecosystems, including functions, habitats, and elements that support biological diversity

Objective 6 - Enhance salmonid populations by conserving, enhancing, and restoring required habitats and watershed processes

An objective regarding Tribal Ecological Knowledge is pending, per the direction of the PRP at their meeting in Bear River in October 2015. Staff will work with Sheri Norris to develop this objective.

Goal 4: Beneficial Uses of Water #
Objective 7 - Ensure water supply reliability and quality for municipal, domestic, agricultural, cultural, and recreational uses while minimizing impacts to sensitive resources

Objective 8 - Improve drinking water quality and water related infrastructure to protect public health, with a focus on economically disadvantaged communities

Objective 9 - Protect groundwater resources from over-drafting and contamination

Goal 5: Climate Adaptation & Energy Independence #
Objective 10 - Assess Address climate change effects, impacts, vulnerabilities, and strategies for local and regional sectors to improve air and water quality and promote public health #
Objective 11 - Promote local energy independence, water/ energy use efficiency, GHG emission reduction, and jobs creation

Goal 6: Public Safety #
Objective 12 - Improve flood protection and reduce flood risk in support of public safety

c) Complements and Collaborates

The NCRP has a long history of pursuing funding to act as a regional clearinghouse/block grant organization that attracts funding to the region while supporting stakeholders and project proponents in the north coast. The NCRP intends to collaborate with and support Tribes, local governments, NGOs, RCDs, public agencies, and others in achieving regional goals for healthy watersheds, communities and economies. The NCRP will seek funding opportunities where a regional approach is effective and a benefit while actively avoiding competing with North Coast stakeholder groups for funding. Where

appropriate, the NCRP will collaborate in joint funding applications with regional stakeholders to achieve the NCRP's goals and objectives. The North Coast maintains and increases the engagement and active participation of over 30 Tribes in the region through the collaborative coordination of a Tribal engagement coordinator. District coordinators and the leadership of elected Tribal Representatives. These efforts require financial resources for the Tribal engagement team.

d) Efficiency and Effectiveness

Recognizing that funding streams require resource investment in terms of fund management and proposal development, funding strategies and individual sources of funding will be evaluated using cost/benefit criteria, including how effectively the funding source furthers NCRP goals and objectives, and the relative ratio of resource allocation to potential benefit, as well as riskiness of the resource investment. Because of the number of Tribes in the region and the physical distance required for participation, consistent and effective Tribal engagement requires coordination of cooperative decision-making, capacity-building and technical support.

<u>Potential Strategies for Achieving Goals and Targets/Next Steps</u>

To effectively expand and diversify NCRP funding while maintaining a foundation of success, following are potential activities that the NCRP may want to consider pursuing.

1. Refine draft strategy with Ad Hoc Committee – bring preliminary strategy to PRP in January (further develop after January meeting)

2. Integrate this strategy fully with SGC grant financing strategy section and future IRWM plan sections on long term financing

3. Evaluate North Coast financing needs and identify strategies that would benefit from a regional funding approach
    a. Polling PRP and TPRC members re: regional and local funding needs
    b. Polling stakeholders re: funding needs
    c. Evaluate past funding applications – "mine" for funding needs data

4. Identify funding opportunities that support North Coast impaired ecosystems and communities - especially economically disadvantaged communities and Tribes with economic need.

5. Develop targeted list of key funders aligned with NCRP goals (public and private)

6. Evaluate alignment with funder goals and develop a list of funder relationships to pursue; identify appropriate funder contacts (eg, PRP, TPRC, staff, others); attend meetings and give presentations on the NCRP to targeted funders
    a. NCRP leadership regularly connect with funders and provide presentations at key meetings and hearings (supported by staff research and coordination)

b. Staff: attend meetings (with PRP members and alone) to discuss funder and NCRP objectives and potential funding relationships

7. Develop messaging (handouts, fliers, presentations) and talking points for PRP, TPRC, staff
    a. Relative impact of funding to date – efficiency, return on investment locally , statewide and nationally (eg, services provided to other areas)

8. Explore innovative financing mechanisms:

    a. Enhanced Infrastructure Finance Districts (EIFD) (*see Appendix B*)

    b. Funding Committee review and provide feedback on a report commissioned by the NCRP entitled *A Review of Economic and Financial Issues for the North Coast Resource Partnership*, EcoNorthwest, 2014 (*Appendix C*)

    c. **Community Choice Aggregation:** explore how the region could develop biofuels to supply green power for CCAs across the state.

    d. **AB 32 Auction Revenues**: the draft ARB investment plan makes forest management for carbon capture one of its top priorities. It also speaks of a revolving fund for GHG projects.

    e. **Public Goods Charge**: this idea is gaining momentum as a replacement to future water bonds.

    f. **Climate Adaptation Funding**: Coastal areas face high potential costs to deal with sea level rise. Future funding programs may emerge in this area.

    g. **Regional Energy Networks**: Two regional energy networks have been formed in CA to provide residential and business energy efficiency programs funded with utility ratepayer dollars. The North Coast could also form one if desired.

    h. **Mobilizing the Private Sector:** Local funding needs in the North Coast region are large compared to the size of the taxable economy in the region. In some cases it may be possible to create incentives for the private sector to finance and carry out some of the needed work. An example would be the property assessed clean energy program, *PACE, which is now a very large statewide business initiative.).*

    i. **Regional Advanced Mitigation (RAMP):** mitigation funding from transportation projects

    j. **Local funding measures (sales tax, property tax, fees/assessments)**

    k. **Ecosystem Services:** Payment for Ecosystem Services (credit trading) or other ecosystem services framework to invest in source region

l. **SB 375 Integration:** could link multiple funding strategies and NCRP objectives

m. **Tourism Marketing**: see County Tourism Bureaus

n. **Expanded Role in Existing Grant Programs**: NCRP could participate in existing grant programs – including various Proposition 1 funded competitive programs and the Fishery Restoration Grant program - on behalf of or in collaboration with project proponents in the region, as requested

o. **Cannabis programs**. Initiatives are currently under consideration that may provide funding for habitat and watershed programs from revenue obtained from the cannabis industry.

9. Staff reach out to experts and discuss preliminary options

10. Invite experts to PRP meetings or Funding Committee meetings

11. Pursue funding to hire experts to develop detailed strategies for innovative financing for the NCRP

12. Document existing impact and benefits of North Coast as a source region
    (one option is to develop a table which lists funding for each of the following resources – let's discuss)
    a. Economic/DAC
    b. Carbon
    c. Biodiversity & Natural Capital
        i. Anadromous fish, marine fishery,
    d. Water quality and supply
    e. Energy and Climate Change
    f. Forests
        i. Sustainable forest products
        ii. Water filtration
        iii. Biomass energy, bioproducts, forest nano-carbon products
        iv. biodiversity
    g. Public Health

13. Document amount of local funding leveraged to date (SCWA, County of Humboldt, Project Proponents)

14. Evaluate NCRP alignment with key state policies and strategies:
    a. AB 32 and SB 375
    b. CA Economic Summit goals
        i. Explore EIFDs for rural regions and in relation to IRWM
        ii. Perform capital access mapping

15. Assess current NCRP governance and funding management structure to ensure long-term financial viability

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Draft NCRP Funding Goals and Potential Funders

- Maintain Base Funding: $150,000 per year
- Increase Base Funding: up to $200,000 per year
- Determine admin overhead rates for contract and project management
- Maintain Existing Funding:
    - DWR
    - SGC
    - SCWA
- Diversify Funding:
    - target relative % of funding from state, federal, foundation, local agency, private sector sources, assessment districts, etc

potential table example – could be an appendix with criteria for decision making

Source	Focus	Alignment with NCRP Goals	Funding Range	Funding Type	Term	Constraints	Priority Level
CDFW	fish and wildlife	hi-med-low or list goals	$550K-1,000,000	reimbursable grant	1-3 years	volatile, uncertain; cash flow	
Packard	land conservation			up front grant			
NSF	research						
CEC	energy/GHG						
assessment	depends	misc		annual revenue	ongoing	high admin costs	
auction revenues	GHG emissions	climate		grants (currently)	1-5 years	limited applicability to NC; may require legislative	

- Potential Funding Sources:
    - State agencies:
        - California Department of Conservation
        - California Department of Fish and Wildlife
        - California Wildlife Conservation Board
        - California Air Resources Board
        - California Department of Food and Agriculture
        - California State Coastal Conservancy
        - California Energy Commission
    - Federal agencies:
        - US Department of Agriculture/Natural Resources Conservation Service
        - National Oceanic and Atmospheric Administration
        - Bureau of Indian Affairs
        - US Forest Service
        - Environmental Protection Agency

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        - Department of Energy
        - US Fish and Wildlife Service
    - Foundation Funding
        - Gordon and Betty Moore Foundation
        - Packard Foundation
        - Hewlett Foundation
        - SJ Bechtel Junior Foundation
        - Resources Legacy Fund
    - Research and Academic Funding
        - Research grants (NSF)
        - Partnering with Academic Organizations and Universities
        - Partnering with Research and Science NGOs
    - Innovative Partnerships with High Capacity NGOs
        - National Fish and Wildlife Foundation
        - The Nature Conservancy
        - Pacific Forest Trust
        - Redwood Forest Foundation
        - Earth Economics
        - New Island Capital
        - Conservation Fund
        - Resources Legacy Fund
        - Other?

Potential Advisors/Supporters/Key relationships

- Long Term Relationship Building with funders listed above
- Advisors:
    - Glenda Humiston
    - Jonathan Birdsong
    - Jason Weller
    - Carlos Suarez
    - Fred Silva, CA Forward
    - Liz O'Donoghue
    - Dan Winterson
    - Chris Larson
    - Kathy Moxon
    - David Shabazian
    - Connie Best
    - *List to be augmented by Funding Ad Hoc Committee at January 21 meeting*

Opportunities and Constraints

- Opportunities

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- Highly respected governance framework: locally elected leadership
- Ten years of proven track record – stability, collaboration, effectiveness
- Local investment of base funding from which to leverage other funding
- Cost effective mechanisms for investing in source carbon/biodiversity/water
- Cost-effective regional administration
- Cost-effective data development, planning and technical assistance/resources
- Provides capacity building, support and financial oversight for small and DAC communities and project proponents
- Allows small and DAC communities access to participate and be competitive for grant funds
- Allows for the over 30 Tribes in the region to participate and be competitive for grant funds
- Supplies funding for regional and integrated projects and planning where appropriate
- Established transparent science based prioritization and decision making process

- Constraints
  - Jurisdictional requirements for programs like SGMA, etc require a county or Tribal lead
  - Resource Allocation Considerations
    (staff and other upfront funding investments – need to spend money to make money)
  - Funding connected to legislative requirements
  - Centralized administration takes time, adds layers

Timeline for Funding Strategy Implementation *(very rough – for discussion purposes)*

A potential timeline for implementation of the above strategy (or prioritized elements thereof) is suggested below. This timeline acknowledges that the thoughtful implementation of the funding strategy will require resource investment and action on the part of the NCRP leadership, as well as significant staff resources and additional funding. It also takes into account the existence of significant existing funding and required work (SGC and DWR IRWM planning grants totaling $3.4 million over four years) that can be leveraged as a means to implement the above funding strategy.

ACTION	2016	2017	2018	2019	2020
vet and evaluate draft funding strategy with PRP and TPRC	X				
test draft funding strategy with key funders, advisors and stakeholders	X				
finalize funding strategy, including established funding targets and priorities	X				
develop adaptive funding database (amounts, focus, due dates)		X			
evaluate current structure, modify as needed		X	X	X	X
developing messaging strategy		X			

prioritize and cultivate new funding relationships		X	X	X	
create collateral, presentation and meeting schedule, implement messaging strategy, including media and community relations		X			
create legislative platform		X			
focus existing planning funds towards support of funding strategy (where appropriate/legitimate)	X	X			
apply for grants		X	X	X	X
implement other innovative funding elements prioritized by the PRP				X	X

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APPENDIX A - NORTH COAST RESOURCE PARTNERSHIP FUNDING AWARDS

North Coast Resource Partnership (NCRP) FUNDING AWARDS	Year	CA Rank	Amount
Proposition 50, North Coast IRWM Planning Grant	2005	2nd	$500,000
Proposition 50, North Coast IRWM Implementation Grant, Round 1	2006	1st	$25,000,000
Proposition 50, North Coast IRWM Implementation Grant, Round 2	2007	1st	$2,079,000
California Energy Commission (CEC), Municipal Financing Grant ($4.4 M – awarded but not funded)	2009	2nd	*
Proposition 50 Implementation Supplemental Funding	2010	2nd	$2,176,860
CEC Energy Efficiency & Conservation Block Grant	2010	n/a	$959,117
Proposition 50, DWR directed funding for Water & Wastewater Service Provider Support Program	2011	n/a	$500,000
Proposition 84, North Coast IRWM Planning Grant	2011	8th	$1,000,000
Proposition 84, North Coast IRWM Implementation, Round 1	2011	2nd	$8,222,000
Proposition 84, North Coast IRWM Implementation, Round 2	2013	6th	$5,386,000
Strategic Growth Council, Sustainable Communities Grant	2014	1st	$1,000,000
NCRP 2014 IRWM Drought Project Grant	2014	3rd	$8,700,000
NCRP 2015 IRWM Project Grant	2015	3rd	$11,047,939
			$66,570,916

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APPENDIX B – ENHANCED INFRASTRUCTURE FINANCE DISTRICTS

From: CA Economic Summit

Infrastructure
GOAL 1: Expand Use of EIFDs and Public/Private Partnerships

GOAL 2: Maximize existing resources and identify new revenue sources to support outcomes-oriented infrastructure investments

Housing
GOAL 1: Ensure sufficient housing--and specific strategies and initiatives--in regional Sustainable Communities Strategies (SCS) and encourage transit-oriented housing development through cap & trade. Develop ways for rural areas with regional plans to qualify for these funds.

GOAL 2: Promote housing development, including dedicated source of statewide funding for affordable housing and provision of market-rate housing at all levels

Working Landscapes
GOAL 1: Promote sustainable communities and use of natural capital by integrating urban/rural development, encouraging regional goods movement strategies
GOAL 2: Document benefits of ecosystem services

Capital
GOAL: Expand private capital investment in infrastructure by mapping regional capital intermediaries and creating navigator tool to match supply & demand.

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From: *Enhanced Infrastructure Financing Districts (SB 628, Beall)*
A New Power Tool for Growth in California, November 12, 2014 , Nicholas William Targ, Daniel R. Golub

Gov. Jerry Brown signed SB 628 on Sept. 29, 2014, ushering in a long-promised heir to redevelopment agencies.[1] The enrolled statute is now available online and offers much promise for kick-starting dormant projects and land into more productive uses.[2]

The statute authorizes municipalities and counties to create a powerful new tool, Enhanced Infrastructure Financing Districts (EIFDs), which can fund infrastructure development and community revitalization. However, unlike redevelopment agencies, EIFDs cannot reduce the funding available for public schools. In fact, counties and schools stand to benefit from the increased property values and accelerated home sales that targeted infrastructure investments can catalyze. EIFDs do not levy new taxes or divert revenue from any nonconsenting municipality or special district. Instead, they provide a streamlined new tool for multiple layers of government to allocate existing and anticipated new tax revenue toward realizing shared goals.

EIFDs can:

- be created and adopt an infrastructure financing plan, by act of a county or city legislative body, instead of requiring a vote by 2/3 of the electorate
- issue bonds based on tax increment financing (TIF), contingent on a vote of 55 percent of the electorate instead of a 2/3 majority; if less than 12 persons are registered to vote in the EIFD, the vote is held by the landowners of the district, with one vote for each acre (or portion of an acre) owned
- establish a bond period of up to 45 years from the date of bonding approval – at least 15 years longer than traditional Infrastructure Financing Districts (IFDs)
- serve a broader range of purposes than traditional IFDs (e.g., funding transit priority projects, low- and moderate-income housing, actions under Sustainable Communities Strategies, environmental remediation and more)
- be layered with Community Facility Districts (CFDs) so that operating costs in addition to capital costs can be covered
- exercise full Polanco Redevelopment Act (environmental cleanup) powers and liability protections, including the exercise of eminent domain
- be jointly governed by representatives of multiple taxing entities (e.g., counties, municipalities and special districts), all of whom must consent to the EIFDs' use of property taxes they would otherwise collect

While SB 628 does not revive the era of redevelopment agencies, EIFDs give local governments a promising new tool for tax-increment financing, with significantly greater flexibility for investment and substantially streamlined procedures than exist under current law.

- See more at: http://www.hklaw.com/Publications/Enhanced-Infrastructure-Financing-Districts-SB-628-Beall-11-12-2014/#sthash.AIVUMt7F.dpuf

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APPENDIX C
A REVIEW OF ECONOMIC AND FINANCIAL ISSUES FOR THE NORTH COAST RESOURCE PARTNERSHIP

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APPENDIX D

GRANT PROGRAMS RELEVANT TO NCRP

(examples below - discuss whether needed in this strategy, or tracked in a separate database)

IRWM Program Grants

Prop 1 Stormwater Grants

Fisheries Grants

2016 Healthy Watersheds Consortium Grant Program *Accelerating protection of America's healthy freshwater ecosystems and their watersheds* . The U.S. Endowment for Forestry and Communities (Endowment)

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