

# Innovative Finance for National Forests

## Request for Proposals Proposals Due June 30, 2021

### Introduction

**The Innovative Finance for National Forests (IFNF) grant program supports the development and implementation of innovative finance models that leverage private and public capital other than U.S. Forest Service (USFS) appropriations to support the resilience of the National Forest System.**

The IFNF grant program seeks to:

- Leverage private and public *capital other than USFS appropriations* to support agency priorities.
- Deliver measurable *social, ecological, and financial outcomes* to multiple stakeholders.
- Demonstrate solutions that promise improved *financial sustainability* for land management.
- Chart a *path to scale* in addressing landscape-level challenges on and near National Forests.
- Generate *lessons learned* to incorporate in agency management and decision making.

IFNF grants could, but are not limited to, support of innovative finance models that:

- Enable *debt or equity financing* from public or private sources to pay for upfront project costs that will be paid back over time by project beneficiaries (payors).
- Access new or existing *markets* for environmental goods or services.
- Access *user-based* fees or contributions.
- Increase pace and scale of implementation by *blending multiple sources* of funding or finance.
- Employ any combination of the approaches listed above.

In 2021 the IFNF grant program emphasizes three Focus Areas:

- 1) Watershed health
- 2) Sustainable recreation infrastructure and access
- 3) Wildfire resilience and recovery

Across these focus areas, the IFNF grant program provides funding for three Project Types:

- 1) Pilot
- 2) Scaling
- 3) Research and Development

Project activities may take place on a National Forest, on adjacent state, private or tribal lands, or across boundaries as long as project outcomes contribute to the health of Forest Service ownership. The IFNF Focus Areas and Project Types are explained below.

The IFNF grant program is funded and administered by the USFS National Partnership Office (NPO) and U.S. Endowment for Forestry and Communities (Endowment). The National Forest Foundation (NFF) provides technical assistance and administrative support. Interested parties are encouraged to contact one of the IFNF team members below to discuss ideas or opportunities:

Program Coordinator: Jeff Lerner; [jalanlerner@gmail.com](mailto:jalanlerner@gmail.com); 202-236-1883

USFS National Partnership Office: Nathalie Woolworth, [nathalie.woolworth@usda.gov](mailto:nathalie.woolworth@usda.gov); 202-281-8511

National Forest Foundation: Spencer Plumb, [splumb@nationalforests.org](mailto:splumb@nationalforests.org); 928-961-2486

**For the latest information on the IFNF program see: [www.ifnfgrants.org](http://www.ifnfgrants.org)**

## IFNF Grant Program Background

National Forests across the United States provide important services to the American public, including clean and abundant drinking water, clean air, forest products, recreation opportunities, and local jobs. However, our National Forests face challenges that jeopardize the ecological, economic, and social benefits these landscapes provide. The impacts of catastrophic wildfire, drought, flooding, and insect and disease disturbance are increasingly severe, exacerbated by rising temperatures and growing development pressures. The scale of unmet stewardship needs – an estimated 63 million acres at risk of severe wildfire and a \$5.2 billion backlog of deferred maintenance on infrastructure – exceeds the capacity of Forest Service appropriations (\$5.7 billion in FY2020) to address these issues.

These challenges require the development and scaling of new funding and financing approaches to support land management. Through the IFNF grant program, support for a growing [Conservation Finance Program](#), and other agency efforts, USFS is investing in work with partners to capture the multiple value streams provided by the National Forest System and help address the agency's funding constraints. Efforts to date that exemplify the types of projects eligible for IFNF include, but are not limited to, finance models that leverage:

- **Private Investment**-- USFS has worked with partners to pilot debt-financing models that engage private investment to cover upfront project costs by promising a financial return as well as social and/or environmental outcomes (e.g., [Forest Resilience Bond](#), [Green Bond](#)). The agency is also exploring ways to leverage private investment through environmental markets (e.g., compensatory mitigation, water quality, carbon). USFS offers investors the potential for large-scale investment opportunities across its 193 million acre ownership, as well as robust project pipelines across diverse geographies, and the ability to consistently track metrics.
- **Public Financing**-- USFS is also exploring sources of non-Forest Service public financing, including low-interest loan funds, bonds or other public debt from federal, state, or local sources. Examples include but are not limited to EPA State Revolving Loan Funds, USDA Rural Development loans, and FEMA Emergency Relief for Federally Owned Roads (ERFO) funds.
- **Blended approaches**-- IFNF also welcomes approaches that combine private investment, public finance, and even philanthropy or corporate sustainability into public-private partnership models.

### HOW CAN HEALTHY FORESTS DELIVER A FINANCIAL RETURN?

Generating a financial return from land management activities enables USFS to access capital from private investment and public financing that could not otherwise be brought to bear on agency challenges. Generating a financial return is simple in concept but challenging in practice. Financial returns are derived from money made or money saved. Examples below are relevant for federal and/or non-federal ownership.

Examples of **money made** include:

- Layer revenues from forests (e.g., timber, recreation, hunting lease)
- Sale of environmental market credits (e.g., water, wetlands, habitat, carbon)
- Enhanced benefit from conservation outcomes (e.g., tourism, local tax revenue, water quality)

Examples of **money saved** include:

- Increased efficiency of business operations (e.g., delivery of recreational services, economies of scale for forest stewardship)
- Avoided future costs through activities that reduce risks associated with disturbance such as catastrophic wildfire.

To provide a financial return, entities that make or save money must commit to dedicating a portion of money made or saved back to the financier.

## **IFNF Grant Program Overview**

IFNF is a competitive grant program. Applications following the guidelines below will be considered.

**Grant Award Size:** Grant award sizes vary by project type and should not exceed \$500,000. Please review the project type descriptions and discuss any variance for your proposal with program contacts. Approximately \$2 million in total funding is available in 2021.

**Grant Award Length:** Applicants must complete proposed objectives and milestones within a maximum three-year contract period; shorter contracts are acceptable. If a multi-year grant is awarded, funds will be renewable annually based on grantee performance determined by a yearly review.

**Eligible Applicants:** Not-for-profit 501(c)(3) organizations; for-profit companies; tribes; intertribal consortia; state and local government agencies, and colleges and universities. A single organization or a consortia/team of organizations may apply. Applicants may submit multiple proposals if projects or geographic areas are distinct. Unincorporated individuals are not eligible. Forest Service units and programs cannot receive funding directly.

IFNF does not discriminate on the basis of race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior credible activity.

**Required Match:** A minimum of 20% non-federal match of cash or in-kind services is required.

**Jurisdiction and Ownership:** IFNF projects must contribute to the resilience of the National Forest System. Projects may be applicable to: National Forest System Lands; adjacent state, private, and tribal lands; or cross-boundary landscapes that include both National Forests and adjacent lands. Projects that take place exclusively on adjacent lands must demonstrate a benefit to the National Forest System and show local USFS unit or Regional Office support.

**Forest Service Engagement:** USFS engagement is critical to the success of all IFNF grants. While USFS units cannot directly receive IFNF funds, applications for Pilot Projects or Scaling Projects should reference at least one specific USFS agency unit or program as cooperators to host or facilitate activities (e.g., Mendocino National Forest, Region 5 Watershed Program), and describe how they will be involved (e.g., timber sale prep, project design or planning, stakeholder engagement, implementation cost-share, support for local collaboratives/contractors).

If required, applicants may request funding for activities that increase local USFS unit capacity and engagement. IFNF staff contacts can help applicants with connections to USFS units or programs and with budget issues related to use of funds for these purposes.

### ***Ineligible Activities and Limitations on Activities:***

- Operations/administration beyond recovered indirect costs.
- Lobbying, litigation or political advocacy. Other limitations may be found at [2 CFR Part 200](#).
- Match for any other federal program.
- Total project costs in the following areas may not exceed 15% of request: education, interpretation, land management planning (NEPA), convening, natural science research, monitoring.

## IFNF Grant Program Requirements

### Focus Areas

The IFNF Focus Areas address the most pressing environmental and budgetary challenges faced by the USFS and present the best opportunities to demonstrate the viability for new financial tools. IFNF projects must address one or more of the following Focus Areas:

- I. ***Watershed Health:*** National Forests and adjacent lands comprise an important network of natural infrastructure that supports clean and abundant drinking water, resilience to natural and human disturbance, and aquatic habitat. An estimated 180 million residents in more than 68,000 communities across the U.S. rely on forested lands to capture and filter their drinking water. The National Forest System is the country's single largest source of water and a major municipal water source for 60 million residents in 33 states. The USFS has identified 350 priority watersheds with a backlog of over \$675 million in watershed projects.
  
- II. ***Sustainable Recreation Infrastructure and Access:*** The National Forest System and adjacent landscapes provide a range of recreational opportunities that serve a diverse American public as they connect with nature and access outdoor experiences. National Forests host more than 150 million recreational visits per year with visitors spending upwards of \$13 billion on services in nearby communities. To serve growing numbers of visitors while protecting natural and cultural resources, it is important that the infrastructure facilitating these experiences is well-maintained and financially and environmentally sustainable. The USFS has identified a backlog of \$5.2 billion in deferred maintenance across its infrastructure.
  
- III. ***Wildfire Resilience and Recovery:*** In 2020, wildfires burned more than 10 million acres across the country. More than one-half of this acreage was on National Forest System lands, which cost the USFS \$1.8 billion in suppression costs. The scope of wildfire in 2020 reflects a worrying trend; over the last two decades the nation has experienced more and larger wildfires, with risks and suppression costs increasing in the wildland-urban interface. An estimated 63 million acres of National Forest System lands and 70,000 communities are at risk from severe wildfires. Treating 63 million acres to reduce fuel loads would cost approximately \$63 billion at an average price tag of \$1,000/acre. National Forests and local communities also face significant costs associated with post-fire recovery as well as challenges removing non-merchantable small diameter timber.

These Focus Areas should not be treated by applicants as mutually exclusive. Project ideas with benefits and revenue streams spanning Focus Areas are welcomed. In some cases, stacking benefits across the Focus Areas may help to achieve financing goals and meet revenue needs.

IFNF applications may also address other land management challenges or opportunities, such as climate mitigation, biodiversity conservation, biomass and bioenergy, or other wood products, if one of the key Focus Areas is primarily addressed.

## **Project Types**

IFNF supports the design and execution of innovative finance models that show potential to address land management challenges at scale. Funds should be used for activities that support the development, structuring, or scaling of innovative financing models that bring new capital to bear on land management. IFNF grant funds should not be used to implement on-the-ground project activities such as forest restoration or infrastructure improvements. IFNF-supported projects might offer completely new finance ideas, new applications of approaches used in other sectors (e.g., health care, social services), or new applications of models used for land management elsewhere (e.g., private lands) that are now applied to the National Forest System.

Applications will be considered for the following project types:

- I. ***Pilot Projects:*** Projects in this category should enable implementation, on-the-ground, of pilot models or approaches that present innovations in securing capital other than USFS appropriations for projects on National Forest System or adjacent lands. In demonstrating novel innovations, pilot projects will ideally provide opportunities for replication. Projects might pilot new revenue or repayment sources, or new payment instruments. Maximum award size is \$300,000.
- II. ***Scaling Projects:*** IFNF seeks to support finance tools that function at the scale required to address sizable backlogs of unfunded work. Projects in this category should enable implementation on the ground at a larger scale and/or faster pace than currently exists, by securing capital other than USFS appropriations. Scaling could be achieved through the expansion of previously piloted models to new geographies. Scaling might also be achieved by aggregating projects across landscapes, landowners, and stakeholders, or by employing intermediaries that help capital flow at greater scale. Scaling financial models not only meets USFS needs but may also align with investor interest in larger-scale investment opportunities. Maximum award size is \$500,000.
- III. ***Research and Development:*** Projects in this category should contribute to new knowledge or tools that could enable new forms of investment in USFS lands. Potential projects can include financial innovation (new financial instruments, contracting structures, partnership models), customer and market discovery (surveys, customer/user research), or measurement and quantification (data collection, analysis, costs and benefits, use of technology for monitoring). Projects that combine market discovery or measurement with financial innovation are encouraged. Projects that do not directly address financial innovation should demonstrate a clear case for why their R&D will facilitate financial innovation. Maximum award size \$150,000.

*Note on Pilot vs. Scaling Projects:* While every project is different, IFNF suggests that applicants consider \$3M as a minimum threshold in project implementation needs to attract upfront private investment. IFNF suggests that Pilot Projects would aim to mobilize up to \$10M in capital, while Scaling Projects greater than \$10M.

## Application Review Criteria

Applications to the IFNF program will be vetted using the criteria below. Applicants should consider these criteria as they develop project ideas and articulate those ideas throughout the proposal. The questions in the online application form will closely follow these criteria.

- 1. Problem Statement:** The project addresses a well-defined problem that is significant and pressing for key stakeholders and for the National Forest System.
- 2. National Forest System Nexus:** The National Forest System challenge, the proposed solution, and the role of the USFS unit(s) are all clear.
- 3. Team and Partners:** The project team is qualified and necessary partners, as measured by their project fit, motivation, and experience, have been identified and/or committed to the project.
- 4. Policy:** There is sufficient due diligence on legal, policy, and regulatory factors to provide high confidence that potential barriers or risks in this domain are low or navigable.
- 5. Practices and Methods:** The project relies on land management practices that are proven or likely to be effective, based on evidence, and that are implementable, affordable, and broadly applicable. For Research and Development Projects, methodology is appropriate, robust, and reflects state-of-the-art practices.
- 6. Payors (i.e., direct payment or repayment):** The applicant has identified stakeholder entities (other than USFS) that are likely willing and able to shoulder project costs by providing either direct funding or repayment of financing sources.
- 7. Financing Sources (i.e., upfront capital):** If required, the applicant has identified public or private entities (other than USFS) likely to provide sufficient upfront capital to finance project costs through debt or equity models.
- 8. Project Site(s) and Readiness:** The applicant has high confidence in the viability of the project site(s) and/or partner(s) required for on-the-ground implementation.
- 9. Impact and Scaling Potential:** The project has potential to unlock capital other than USFS appropriations through new financing models, or to scale-up existing models, in order to accelerate on-the-ground implementation.
- 10. Measurable Outcomes:** Applicant has detailed metrics and processes in place to measure economic, environmental, and/or social outcomes, or robust plans for developing them.
- 11. Barriers to Success:** Applicant has identified barriers to success and developed credible plans to address them.
- 12. Timeline, Deliverables, and Budget:** The budget is sufficient for the proposed timeline, activities and deliverables. Suitable matching funds are identified.

## Application Process

The application process is interactive. IFNF staff look forward to working with interested applicants to develop concepts and proposals. Please be in touch with ideas and questions!

*Submission:* The application form is online; the application form and all attachments are submitted via the Endowment's grantee portal: <https://usendowment.force.com/grantee/>. **The online application form will be available by May 3rd.**

Note: If you already have an account from a previous Endowment project, please use those login credentials. If you are a new user, please click on "New User" and follow the instructions to create an account. Once created, click on the "View Current RFPs" tab. For portal assistance please contact [subawards@usendowment.org](mailto:subawards@usendowment.org).

Note: Please use **Google Chrome or Firefox** as your web browser when completing the application.

### *Webinars:*

Two Informational webinars will be hosted by the National Forest Foundation on [Wednesday, May 12, from 1-2 p.m. EDT](#) and [Thursday, May 20, from 3-4 p.m. EDT](#). You may also register on the [IFNF website](#).

### *Timeframe and Funding:*

- Program Announcement: April 27, 2021
- Online Application portal opens: May 3, 2021
- Proposal submissions due: June 30, 2021 (Late applications will not be considered)
- Tentative funding decisions: September 2021

*DUNS, SAM and OMB Cost Principles:* Subrecipients must provide a current Duns and Bradstreet DUNS number and be up to date in the SAM.gov grantee registration system. Applicants should start this registration process early to avoid delays in contracting. Purchase of equipment under this funding announcement must comply with USFS General Terms and Conditions as well as OMB Cost Principles.

*Indirect Rates:* Information about the Endowment's Indirect Cost Policy can be found [here](#). Please contact Aleta Rogers ([Aleta@usendowment.org](mailto:Aleta@usendowment.org)), Manager, Grants and Contract Compliance.

*Intellectual Property and Sensitive Information:* Because this program utilizes public funding, it is the intent that any final reports will be publicly available and that program participants will share deliverables, outcomes, and lessons-learned through webinars. Please discuss intellectual property concerns with IFNF staff contacts so that sensitive information can be protected while also ensuring public dissemination.

*Awards:* Successful applicants will enter into an award agreement with the Endowment, making them Endowment subrecipients. As a recipient of federal funds, subrecipients must comply with all federal regulations as described in [2CFR Part 200, Uniform Administrative Requirement, and Cost Principles](#).

*Payment:* Subrecipients will invoice the Endowment quarterly on a reimbursable basis. If required, an initial advance payment may be requested.

Grant award terms will include defined outcomes and success measures appropriate for the contract period. Funds will be disbursed incrementally as grantees meet agreed-upon outcomes and quantitative/qualitative project milestones. Grantees are encouraged to revisit and revise their initial milestones as needed throughout the duration of their projects. Grantees are also required to submit interim reports and a final report documenting their achievements and lessons learned. Quarterly meetings with IFNF staff contacts are encouraged.