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NATIONAL MARINE FISHERIES SERVICES  
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**MEMO:** 3 June 2022  
**TO:** Puget Sound Leadership Council  
**CC:** Snohomish Local Integrating Organization  
Align Grant Coordination Workgroup  
**FROM:** Paul Cereghino, NOAA Restoration Center  
**RE:** Funding System Improvement

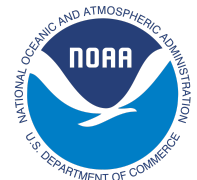
I was invited but am unable to attend the Snohomish LIOs panel on funding system improvement. I'd strongly encourage you to consider the Snohomish LIO's efforts, and cultivate a proposal between state agencies and local teams to improve the collective performance of our funding programs. I wanted to offer you my personal observations and opinions directly.

Project funding is the engine of Puget Sound recovery. The State of Washington can shape this system to maximize ecosystem recovery. Individual programs do great work running isolated awards. However our project teams are struggling under the weight of our whole funding system, and we seem unable to respond. Cultivating our ability to respond and improve is in my opinion more important than any particular symptom we might discuss and try to address.

Improving funding systems is personal for me. Beginning in 2007-09 I designed the Estuary and Salmon Restoration Program, with its portfolio process, whole project budgets, and learning program. I worked with RCO to simplify contracts and reduce administrative burdens at the Skokomish Delta Restoration. I took risks to fund early phases of Nisqually Delta Restoration before we knew how we could complete a \$15M restoration project. I leveraged state and federal funds to bootstrap monitoring of the Snohomish Estuary Restoration because we don't fund monitoring, while struggling to reduce the number of contracts per restoration project there. I've promoted Floodplains by Design to pull together fish, farm and flood interests through coordinated project funding. I have been shoveling in these engine rooms of ecosystem restoration for 19 years.

In 2014 I staffed a state and federal executive discussion on "coordinated investment" led by then directors Sahandy (PSP), McLerran (EPA) and Stelle (NOAA)—which led to directors Bellon (Ecology) and Cottingham (RCO) chartering the Salmon and Water Grant Coordination Workgroup. For seven years my federal salary subsidized this unfunded state-led effort to standardize and simplify ecosystem recovery funding processes.

While we have taken steps, we have fundamentally failed to improve our funding systems. On-the-ground operating conditions are getting worse. Let me explain, starting with an analog.



A half century ago, the Toyota Motor Corporation developed an approach for the continuous incremental improvement of their production processes. Every year they made slightly better cars with slightly less effort. Over time, they crushed their competition and revolutionized global manufacturing. They created a production system that solved its own problems. Management did this by engaging the entire factory community to be part of the improvement process, and creating improvement mechanisms that valued and empowered the perspectives of people working on the factory floor.

We don't do this in Washington State recovery.

I suspect we have a misapprehension about how ecological value is actually created. Agency funding programs may think we create value for the public trust. In reality we do not. We provide a limited service within a whole "system of production". As funders we have discretion over cash allocation, but we are completely dependent on local teams to identify, develop, design, install and learn from projects. Local teams are in turn entirely dependent on funders to get them the right resources at the right time at the least cost. Recognizing how we create value together leads me to two logical conclusions:

1. The primary function of our funding programs is to support the nimble allocation of limited resources into an extremely complex landscape in response to shifting opportunities and risks. We are successful when the right project teams get *exactly the resources they need and no more*, at just the right time. Giving too much takes from other projects. Giving slowly or inconsistently wastes limited resources or even threatens project feasibility. This is important work.
2. By contrast, our administrative processes for receiving and organizing applications, coordinating and compiling reviews, engaging diverse stakeholders in decisions, negotiating contracts, supervising fiscal processes, documenting "match", and tracking outcomes are all "waste", consuming resources diverted from the production of ecological value. These processes are only justifiable to the degree that they actually improve production. That's why administrative processes must be standardized and then simplified so that their functions can be achieved with the least effort.

So why after seven years of meeting with funding program managers at Align have we made so little progress on standardizing and simplifying our collective system? Put simply, grant program managers are neither empowered nor impelled to pay attention to how they collectively impact local teams.

No one is accountable for how the whole production system functions. To achieve recovery, projects are necessarily becoming larger and more complex. Project managers are becoming the limiting resource. Our funding system makes project managers spend their limited capacity petitioning, cajoling, justifying, and competing with each other to assemble the bits and pieces they need to implement ecosystem projects. It works—but it doesn't work well, and it is full of waste.

I've been told I shouldn't even say the word "waste", as if it were a sin to be denied, rather than a challenge to embrace. This fear of talking about waste is unhealthy because it prevents us from developing a shared understanding of waste. Toyota proved that recognizing and reducing unintended waste is the central challenge of production.

Our recovery system is wasteful not because we can't see our problems, but because we haven't cultivated mechanisms to solve our problems. Project managers at counties, cities, tribes, conservation districts and NGOs understand how our funding systems work because they are well positioned—when our systems undermine them they feel it directly. The legislature and policy leadership are not on the scene.

To improve we need to construct a feedback loop so that recurring problems in the field directly inform and compel system improvement, and mobilize appropriate resources to resolve barriers. Every adjustment should reduce waste. The Align Workgroup was tasked to solve this problem with no input from the field, no resources, no incentives, no legislative contact, and no executive support or oversight. At Align we gather empty-handed, overburdened in our isolated systems, and at the end of each meeting we return to our agency cloisters.

Here is my proposal for improving cross-agency funding system performance. I am sure there are many alternatives, but the concept is simple:

1. **Identify our ecosystem funding programs** with overlapping goals and production methods, primarily at RCO, Ecology, the Conservation Commission, and among EPA-funded Strategic Initiative Leads. Most of them are already at Align.
2. **Establish an important pool of shared resources for improving the funding system**, and hold it in trust as an improvement fund. Some of these resources may already be in circulation, but are not seen as resources for improvement, or we lack the ability to take shared effort. We need system improvement to be intrinsic to how agencies demonstrate their stewardship of public resources to the legislature.
3. **Establish as policy the goal of standardizing and simplifying administrative processes** among all ecosystem funding programs. Application, selection, contracting and tracking, and reporting should be as simple and efficient as possible—the minimum necessary to improve quality.
4. **Establish senior local project managers and coordinators as local trustees of improvement funds**—Senior technical staff from counties and cities, tribes, conservation districts, NGOs, and resource agency field offices have direct knowledge of the facts on the ground. Give them power AND responsibility.
5. **Empower these local trustees to boldly examine how the funding system creates waste:** redundant applications and reports, slow and unresponsive funding cycles, weak project lifecycle supports, lack of critical funding types, and absurd match requirements. Integrate LIO, LE, and ERC systems in this work. Evaluate new investments for whether they standardize and simplify administrative processes.
6. **Through agreement between program managers and local trustees, allocate the improvement fund among crosscutting teams** to develop and implement process and infrastructure improvements. Employ members of local teams to increase the capacity of agency staff and to ensure improvement efforts respond to field conditions.
7. **Establish a cycle of executive review over improvement efforts** to make difficult decisions and face unfiltered information about the conditions created on the ground by our funding systems.
8. **As administrative costs decline through standardization and simplification increase the improvement fund**, and expand the scope of improvement work to include regulatory system

improvement. Don't punish agencies for improvement, rather leverage funding efficiency to accelerate performance improvement across the whole recovery system.

9. **Consolidate reporting on ecosystem outcomes** to a single cross agency workgroup presenting aggregate performance of ecosystem funding programs in Washington State. We should not encourage the use of recovery resources for self-centered program promotion, rather we can center attention on the efficient creation of value and observation of field conditions.

Please note that I am NOT suggesting or recommending a consolidation of natural resource grant programs. We need lots of interdisciplinary teams wrestling with salmon recovery, water quantity, water quality, shoreline processes, orca recovery, agricultural production, forest management, flood hazard, and transportation impacts.

Cultivating improvement capabilities is mission critical. Please consider the importance that adaptation and responsiveness will play under the uncertain brutality of climate change. Consider how as the "low-hanging fruit" are plucked, glaciers retreat, floods strengthen, droughts lengthen, and population grows, our work will become more tenuous and difficult. I am very confident that investing in our ability to respond quickly to on-the-ground conditions will provide more value than we can yet comprehend.

### **Selected Historical Notes**

Cereghino & Steger (2009) [Conservation Project Marketplace Concept](#)

Blackmore (2009) [Obstacles to implementing important capital projects for salmon recovery](#)

Cereghino, Clingman, Krienitz, Galuska, Abbott, & Blanton (2015) [Grant Administration Streamlining Concept](#)

Bellon & Cottingham (2015) [Washington State Natural Resource Grant Program Coordination Mission, Strategy and Key Results](#)

Cereghino, Crump, Ferguson, and Green (2019) [Development of Project Description Standards](#)

Williamson (2020) [Streamlining Application Budget Structure for Washington Watershed Grant Programs](#)