



Memo

Date: October 18, 2012
To: State Coastal Conservancy Board
From: Sam Schuchat, Executive Officer
Mary Small, Deputy Executive Officer
CC: Oversight Members
RE: Coastal Conservancy Budget Report

At its August meeting, the Conservancy asked staff to provide an update on the status of the agency's budget. This report was prepared in response to that request. Given the recent controversy with State Parks, this memo also describes the process by which the Conservancy reports and reconciles the Coastal Trust Fund. Since this is the first report of its kind, we are providing the Conservancy with some background information about our budget. In the future, we will provide the Conservancy with budget reports twice a year. In the fall we will provide a report with information from the new budget and new fiscal year. In the spring, we will provide an update of the longterm financial strategy and any budget changes submitted for the coming year. We also plan to post these reports on the Conservancy's website.

The Conservancy receives two types of appropriations in the Budget Act: appropriations for "capital outlay and local assistance" and "support" appropriations. The capital outlay and local assistance appropriation provides funds for our projects. Capital outlay and local assistance funds are spent through grants and contracts. Generally, the support appropriation pays for the operation of the Conservancy, including salaries, rent, travel, internet, equipment and contracts for services related to agency operation.

In addition, the California Public Resources Code Section 31012 established the Coastal Trust Fund in the State Treasury, to receive and disburse funds paid to the Conservancy in trust. The funds within the Coastal Trust Fund include mitigation funds, in-lieu fees and other funds which have been given to the Conservancy in trust for specific purpose. Because of the inherent restrictions on these funds, these funds are not subject to appropriation by the legislature as part of the annual budget process and cannot be comingled with other funds.

Project Funding

This section provides a summary of the remaining project funds available to the Conservancy. There are three types of funding available to the Conservancy to fund projects: Bond Funds, Annual Appropriations and Coastal Trust Funds.

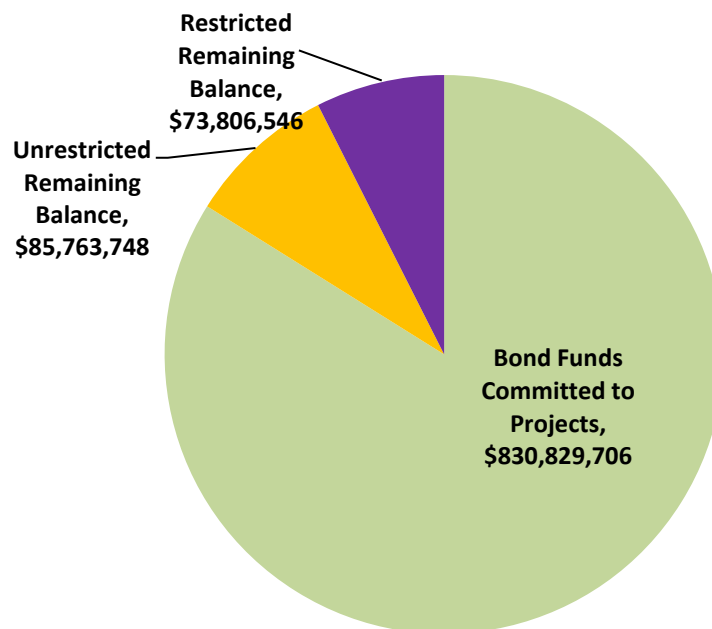
How much money do we have?

Over the past decade, the vast majority of the funds available for Conservancy projects have come from voter approved bond measures. As shown below, the four bond measures approved by the voters since 2000 included nearly \$1 billion for Conservancy projects. The totals below are based on the balance in the bond rather than on the current appropriations; we included anticipated future appropriations from some bond funds.

Bond	Total Available to Conservancy	Remaining Balance as of 8/31/12
Prop 12	\$250,400,000	\$19,518,911
Prop 40	\$240,000,000	\$12,146,766
Prop 50	\$140,000,000	\$8,745,999
Prop 84*	\$360,000,000	\$119,158,618
<i>total</i>	\$990,400,000	\$159,570,294

* Does not include Ocean Protection Council

Each bond act included specific language governing the use of its funds. In many cases, funds are restricted to specific geographic areas or specific projects. Almost half of the remaining funds must be used for specific purposes; the bond allocation balances are provided in detail below.



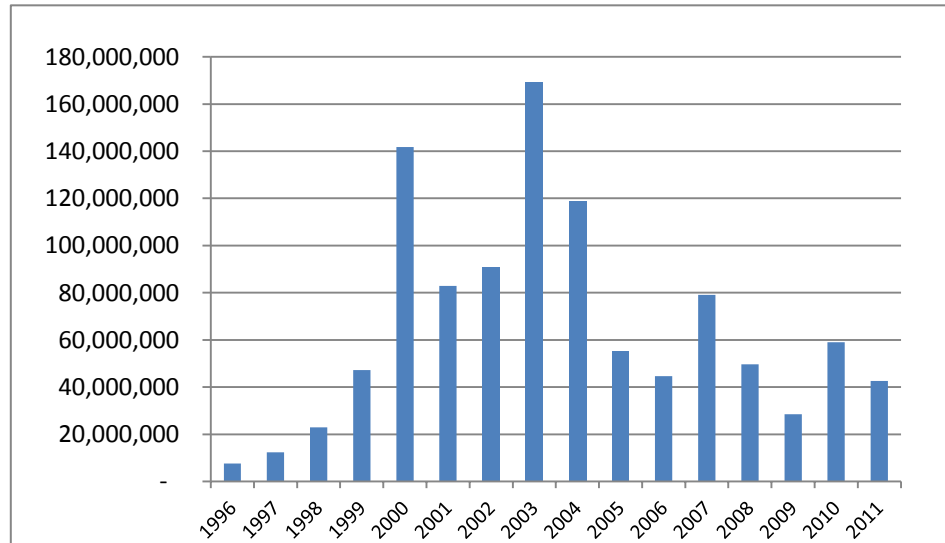
In addition to the bond funds, the Conservancy receives annual appropriations from other sources for its projects. These sources include the Habitat Conservation Fund (HCF), the Coastal Access Account, the California Beach and Coastal Enhancement Account and the Sea Otter Funds. The Conservancy receives occasional appropriations from the Violation Remediation Account which is funded by fines levied by the Coastal Commission against violators of the Coastal Act. The table below shows the uncommitted appropriations of these funds as of August 31, 2012.

	Current Unallocated Appropriation
Habitat Conservation Fund	17,436,303
Coastal Access Account	1,164,389
California Beach and Coastal Enhancement Account	994,800
Violation Remediation Account	1,531,642
Sea Otter Fund	125,821
<i>total</i>	<i>21,252,955</i>

What is our annual spending rate?

This chart shows the total amount that the Conservancy has authorized each fiscal year for the past 15 years. Although not included in the chart, the Conservancy authorized less than \$20 million a year in the decade between 1986 and 1996. This chart shows that the Conservancy’s total authorizations decreased last fiscal year, though we still awarded more than \$40 million for projects.

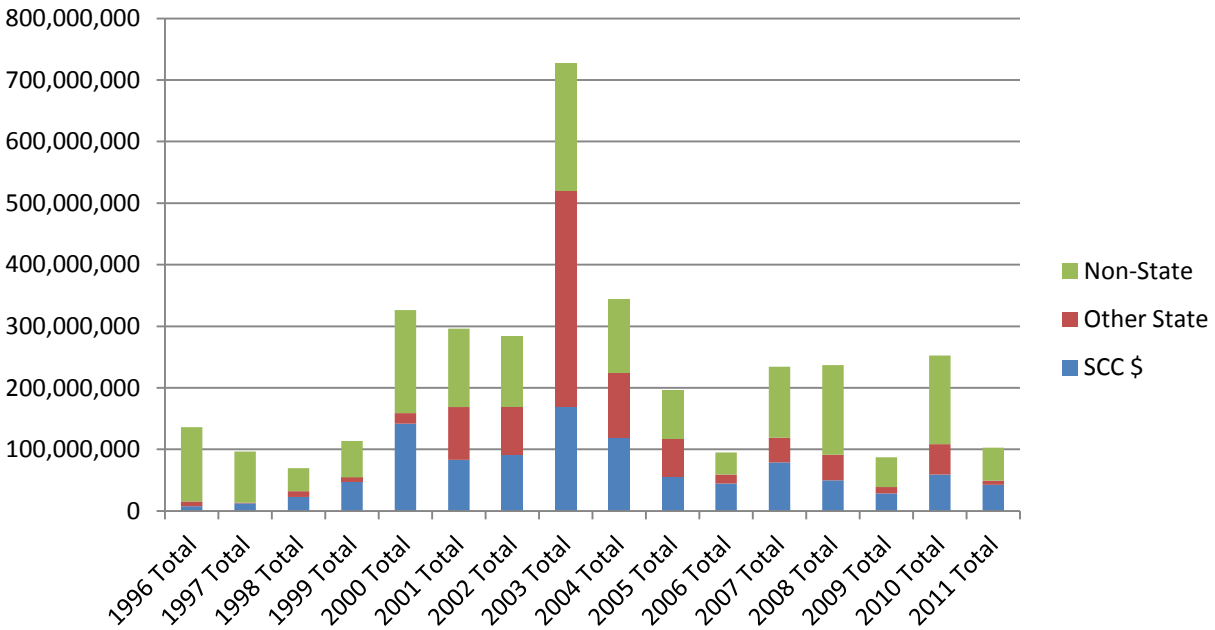
At that rate, all of the current funding would be authorized in about five years.



How much matching funding have we leveraged?

Over the past fifteen fiscal years (ending with FY 11), the Conservancy authorized \$1,052,521,838 for its projects. Those funds have been matched by a total of \$2,546,539,993. Matching funds came from other state sources (\$888,152,579) as well as non-state sources including local, federal and private partners (\$1,658,387,414). For every dollar the Conservancy provided, our projects received more than \$2.50 in matching funds. Over the past 25 years, Conservancy funds have been matched on average \$2.80 to \$1.

Matching Funds - Conservancy Projects 1997-2011



Bond Funds

Proposition 12 (2000)

The Safe Neighborhood Parks, Clean Water, Clean Air, And Coastal Protection Bond of 2000 (Proposition 12) made available a total of \$250,400,000 for appropriation by the legislature for the Coastal Conservancy. In the language of the Bond Act, funds were designated to specific purposes. The table below shows the allocations within the Bond Act and the unspent balances.

	Total in Prop 12	Uncommitted Balance
Coastal Conservancy (undesigned)	22,900,000	2,600,000
San Francisco Bay Conservancy	55,000,000	37,476
Central Coast (Santa Cruz to Santa Barbara)	25,000,000	4,000,000
Coastal Salmon	25,000,000	73,000
Ballona Wetlands	25,000,000	3,664,155
Santa Monica Bay	25,000,000	7,683,107
North of Gualala	15,000,000	558,771
Upper Newport Bay	13,000,000	0
Laguna Coast Wilderness	12,500,000	879,840
Fish and Wildlife projects	11,200,000	0
Wildlife projects north of Gualala River	10,000,000	0
Coastal Trail	5,000,000	22,562
Regional Beach Erosion	3,000,000	0
San Francisco Bay Area Ridge Trail	2,000,000	0
Steelhead - North San Diego Co.	800,000	0
TOTAL	250,400,000	19,518,911

Proposition 40 (2002)

The California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002 (Proposition 40) made available a total of \$240,000,000 for appropriation by the legislature for the general purposes of the Coastal Conservancy and the San Francisco Bay Conservancy.

	Total in Prop 40	Uncommitted Balance
Coastal Conservancy	200,000,000	11,376,382
San Francisco Bay Conservancy	40,000,000	770,384
TOTAL	240,000,000	12,146,766

Proposition 50 (2002)

The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) made available a total of \$140,000,000 for appropriation by the legislature for the general purposes of the Coastal Conservancy and the San Francisco Bay Conservancy. Ten percent of the funds in each allocation were required to be spent on “acquisition and development of facilities to promote public access to and participation in the conservation of land, water, and wildlife resources.”

	Total in Prop 50	Uncommitted Balance
Coastal Conservancy	108,000,000	7,538,161
Coastal Conservancy – Public Access/Ed	12,000,000	982,985
San Francisco Bay Conservancy	18,000,000	224,691
San Francisco Bay Conservancy – Public Access/Ed	2,000,000	162
TOTAL	140,000,000	8,745,999

Proposition 84 (2006)

The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) made available a total of \$360,000,000 for appropriation by the legislature to the Coastal Conservancy, and an additional \$90,000,000 for the Ocean Protection Council. This report does not include the Ocean Protection Council.

	Total in Prop 84	Uncommitted Balance
Coastal Conservancy	135,000,000	39,139,831
San Francisco Bay Conservancy	108,000,000	21,131,152
Monterey Bay & Watersheds	45,000,000	17,765,410
Santa Ana River Parkway	45,000,000	31,358,250
San Diego Bay & Watersheds	27,000,000	9,763,975
TOTAL	360,000,000	119,158,618

Annual Appropriations

Habitat Conservation Fund (Proposition 117, 1990)

Proposition 117 of 1990 created the Habitat Conservation Fund (HCF) and requires an annual commitment of funds into the HCF for thirty years. Proposition 117 did not create a new source of funding; the money transferred into HCF come from other sources within the state budget. In recent years, the legislature has used bond acts to fund the HCF. The Legislature may appropriate up to \$4 million dollars a year to the Conservancy from HCF until 2020.

The purpose of Proposition 117 is to protect fish, wildlife and native plant resources. Allowable uses of HCF include: acquisition of habitat necessary to protect deer and mountain lions or to protect rare, endangered, threatened or fully protected species; acquisition, enhancement or restoration of wetlands, riparian habitat or aquatic habitat for anadromous fish. When bond acts are used as the source of funds for the HCF, the funds carry any additional restrictions on use from the purpose of the bond. For example, during the past few years, the Conservancy's appropriation of HCF has come for Proposition 1E bond funds. Because the purpose of Proposition 1E is flood preparedness, these HCF funds must be used to acquire or restore habitat within flood plains or flood protection corridors.

Coastal Access Account

The Coastal Access Account provides funds for grants to public agencies and nonprofit organizations for development, maintenance and operation of new or existing facilities that provide public access to the shoreline of the sea. These funds come from permit fees from the Coastal Commission and cannot be used for projects along the San Francisco Bay shoreline. The Conservancy receives \$500,000 per year for this fund.

California Beach and Coastal Enhancement Account (Whale Tail Environmental License Plate)

The California Beach and Coastal Enhancement Account was established under California Vehicle Code section 5067 within the California Environmental License Plate Fund to be used by the Coastal Commission and the Coastal Conservancy for various coastal programs. Funds are provided to the State Coastal Conservancy for coastal natural resource restoration and enhancement projects and for other projects consistent with the provisions of Division 21 of the Public Resources Code. The amount that the Conservancy receives from this fund depends on the revenues from the Whale Tail License Plates, which are divided between DMV, the general environmental license plate funds, the Coastal Commission and the Conservancy. The Conservancy typically receives \$400,000 per year in this fund.

Sea Otter Fund

In 2006, the legislature created the California Sea Otter Fund for sea otter research through a voluntary tax donation check-off box on state tax forms. The check off appeared on tax forms for the first time in 2007 and will continue as long as enough tax payers elect to participate. Funds generated from the tax check off are divided between the Coastal Conservancy and the Department of Fish and Game.

Violation Remediation Account

The Violation Remediation Account (VRA) was established to ensure that funds derived from violations of the Coastal Act are spent to implement the provisions of the Coastal Act. These funds are spent pursuant to a Memorandum of Agreement between the Coastal Conservancy and the Coastal Commission to ensure that funds are spent on priority projects that further the goals of the Coastal Act. The amount of money deposited in the VRA fluctuates depending on enforcement activity, funds deposited in the VRA are available for future appropriation to the Conservancy by the Legislature.

Coastal Trust Fund

California Public Resources Code Section 31012 established the Coastal Trust Fund in the State Treasury, to receive and disburse funds paid to the Conservancy in trust. The funds within the Coastal Trust Fund include gifts, mitigation funds, in-lieu fees and other funds which have been given to the Conservancy in trust for specific purpose. Because of the inherent restrictions on these funds, these funds are not subject to appropriation by the legislature as part of the annual budget process. The Conservancy has about 50 subaccounts with a total of about \$12 million deposited in the Coastal Trust Fund. The Conservancy is required to obtain approval from the Department of Finance to create a new account within the Coastal Trust Fund. These funds can only be used for specific types of projects, and the majority of the funds are set aside to satisfy mitigation or permit conditions. Below is a list of the accounts and subaccounts and their current balance.

<u>Fund Name</u>	<u>Balance</u>
Bay Conservation and Development Commission Permits	5,863,797
Calleguas Creek In-lieu Fee Program	2,214,041
Carlsbad Agricultural Improvement Fees	801,685
Highlands Inn Mitigation Fees	837,157
Malibu Access Fund	679,432
Santa Clara River Parkway	636,838
El Nido Restoration Project Account	257,638
Santa Clara River Valley	200,305
Los Penasquitos Lagoon Enhancement Fund	159,208
San Joaquin Gnatcatcher Habitat	153,007
Malibu Beach Access Account	81,283
San Francisco Bay Area Conservancy Program Account	79,790
Humboldt Bay Watershed	55,875
Humboldt Bay Eelgrass Mitigation	51,460
Noyo River Bridge	38,304
Ventura River Watershed	24,040
Ormond Beach Armbrust Memorial	17,168
Marcia Grimm Memorial	9,348
Malibu Road	9,139
13 Various Accounts, each with a balance <\$3,200	8,762
TOTAL	12,178,277

Conservancy staff is working to develop projects so that these funds can be used consistent with their specified purpose. As an example, staff will request authorization for the Noyo River Bridge Funds at the October 2012 Conservancy meeting. Some of the funds are quite recent, such as the account from Bay Conservation and Development Commission permits. However, some of these funds, such as the Malibu Access accounts, have been held in trust by the Conservancy for decades because we have been unable to implement a project that is consistent with the conditions on the money.

Reporting and Reconciling Funds

When contributions to the Coastal Trust Fund are received by the Conservancy, we deposit them in the bank which transmits them to the state treasury. The Conservancy remits the funds to the State Controller's Office, specifying the Coastal Trust Fund subaccount to receive the deposit. The State Controller sends a journal entry to the Conservancy confirming the deposit and the Conservancy posts this information onto Department of Finance's CALSTARS database. At the end of every month, our accounting office reconciles the balances in the Coastal Trust Fund between the State Controller's Office and CALSTARS and our internal record, the Fund Balance Summary. This reconciliation checks our records of deposits, interest and expenditures against the State Controller's Office and the Department of Finance's. At the end of each fiscal year, the Conservancy verifies the balances with the State Controller's Office and CALSTARS to generate a year-end report which is submitted to the State Controller.

Support Budget

The support budget is the annual budget for the operation of the Conservancy including salaries, benefits, operational expenses (rent, utilities, supplies, computers) and any contracts that are related to operation (i.e. project database programming).

How much does it cost to operate the Conservancy?

The table below shows the actual expenditures for the operation of the Conservancy over the past five fiscal years. The Conservancy's operational costs have been less than budgeted over the past several years primarily due to salary savings from: furloughs, vacancies and staff on unpaid leave (new parents). Last year, the Department of Finance required that agencies eliminate vacant positions to bring budgeted and actual operation costs into alignment. As part of that exercise, SCC gave up two positions.

As we have discussed previously, absent a new bond act, we expect that the SCC staff will continue to shrink over the next five years. As part of the strategic plan we are working to identify the appropriate level and organization of staff for the Agency that can be sustained for the next decade. The budget below includes the staff for the Ocean Protection Council (OPC). The Conservancy has about eight positions and a few interagency agreements related to the OPC. If we subtract the OPC from the support budget, staff costs would decrease by approximately \$800,000 and contracts would decrease by about \$400,000.

	07/08 Actual	08/09 Actual	09/10 Actual	10/11 Actual	11/12 Actual (Not Final)	12/13 Budgeted
Staff						
Salaries	4,737	5,138	4,595	4,674	4,892	5,241
Benefits	1,659	1,728	1,772	2,206	1,939	1,675
<i>subtotal - Staff</i>	<i>6,396</i>	<i>6,866</i>	<i>6,367</i>	<i>6,880</i>	<i>6,831</i>	<i>6,916</i>
Expenses						
Travel In State	370	320	288	217	231	380
Travel Out of State	14	12	10	4	4	11
Training	10	3	15	4	3	26
Facilities & Utilities	519	570	495	467	449	657
General Expense & Equipment	239	160	195	201	193	337
Printing, Commun. & Postage	216	170	161	116	110	233
Consulting interdept.	856	294	364	238	274	468
Consulting external	1,615	3,055	1,013	715	837	1,280
<i>Costs Imposed by Sacramento</i>						
Data Processing	151	114	157	165	152	145
Pro Rata	481	313	356	706	644	621
SWCAP	6	6	38	12	8	-
<i>subtotal OE&E</i>	<i>4,477</i>	<i>5,016</i>	<i>3,090</i>	<i>2,846</i>	<i>2,905</i>	<i>4,157</i>
Total Budget - Agency Operation	10,873	11,882	9,457	9,726	9,736	11,073

Where does the money to fund Conservancy operation come from?

The Coastal Conservancy does not receive any money from the State General Fund to pay for its operation. Since its creation, the Conservancy has generally tried pay its support expenses from other sources although General Funds have been appropriated to the Conservancy in the past when bond funds were limited or not available. Over the past decade, the Conservancy has received substantial capital outlay funding from park and water bonds which have also included funding for administering the bonds. These administrative funds have supported the staff and overhead costs of the agency. Over the next few years, the Conservancy will receive diminishing amounts of support funding from Propositions 12, 40 and 50 and rely more heavily on Proposition 84.

If there is no new bond measure, the Conservancy will reduce its staff as it finishes administering these bonds. However, there will continue to be important work for the Coastal Conservancy and so we are working to identify new sources of funds to pay for ongoing operation of the agency. Developing sustainable funding for the agency is a major consideration in our new strategic plan and we are in the process of preparing a report to the Legislature with a ten year plan for funding the operation of the Conservancy. This plan is due to the Legislature in January 2013, we expect to present a draft of the plan to the Conservancy at its next meeting.