Appendix J
# State and Federal Funding

# Memorandum

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| **Date:** | October 9, 2015 |
| **To:** | Petrea Marchand, Yolo Habitat Conservancy |
| **From:** | David Zippin, ICF International |
| **Subject:** | Estimated State and Federal Funding for First 10 Years of Yolo Habitat Conservation Plan/Natural Community Conservation Plan |

# Introduction

The Yolo Habitat Conservation Plan/Natural Community Conservation Plan (Yolo HCP/NCCP, or Plan), like all NCCPs, will rely on a substantial amount of funding from state and federal sources to support the portion of the conservation strategy that will exceed mitigation requirements. These state and federal funding sources will be matched with similarly substantial local funding to support conservation of the covered species. To approve the Plan, the U.S. Fish and Wildlife Service must find that funding is "assured". Similarly, the California Department of Fish and Wildlife must find that the Plan "ensures adequate funding to carry out the conservation measures identified in the plan"[1]. To facilitate these federal and state findings and help to justify the level of state and federal funding commitments, ICF conducted an assessment of likely state and federal funding for the Plan. This memo provides a summary of the funding sources likely to be available to the Yolo HCP/NCCP through both federal and state grants during the first 10 years of Plan implementation.

# Methods

The time period for the analysis of 10 years was selected because it represents a reasonable time horizon over which current state and federal funding sources are likely to last. For example, state grants funded by propositions such as Proposition 1 passed in 2014 are expected to last 8-10 years, perhaps more. Any projections of state and federal funding beyond 10 years would be more speculative. Funding sources lasting 10 years or more are expected to be replaced by new funding sources such as new open space or water bonds. However, the scope and funding stream of these future sources are unknown and cannot be predicted with any certainty. In our experience, the first 10 years of Plan implementation are critical to overall plan success because they set the tone for the level of external funding provided to a plan for land acquisition, the most expensive element of most NCCPs.

[1] California Fish and Game Code Sect. 2820(a)(10).

There are a variety of potential sources available now or soon to be available for both federal and state funding for regional HCPs and NCCPs. These potential sources, along with their expected duration, are listed in Table 1.

ICF estimated the potential maximum annual award for each funding source. In some cases, these maximum awards are disclosed by the funding entity. For those funding sources for which the annual maximum award amount is variable, ICF set the maximum annual award as the average award for that source based on historic grant awards in California over the last 5-10 years (the time period depended on the data available for each funding source). For those funding sources that are new (and therefore have no history on which to base award assumptions), ICF made reasonable assumptions as to the maximum annual award based on our knowledge of the programs and how competitive the Yolo HCP/NCCP is expected to be for these awards.

In order to bound the expected average annual funding amount from each source, ICF developed both an "optimistic" scenario and a "pessimistic" scenario for each source. Under the optimistic or best case scenario for each funding source, ICF assumed that the Yolo HCP/NCCP would be awarded larger grants with a greater degree of frequency over the first 10 years of Plan implementation. Under the pessimistic scenario, ICF assumed that grant awards would be less frequent and typically of lower amounts. Table 1 provides both the estimated average annual funding under each scenario, as well as the total estimated funding over the first 10 years of Plan implementation under each scenario. Additional detail regarding the specific assumptions used for each funding source is also provided in the "Rationale and Assumptions" column in Table 1.

The total amount anticipated under each scenario was then calculated and compared against the funds needed to fulfill the estimated federal/state cost share for the Yolo HCP/NCCP over the first 10 years of Plan implementation. The total estimated federal/state cost share of $86,274,000 over the permit term was assumed to be needed for the first 45 years of the 50-year permit term because the majority of this state/federal funding would be used to support land acquisition. All land for the Reserve System must be acquired by year 45 of the Plan.

ICF believes this analysis to be conservative for the following reasons:

- In most cases, we used the average grant award amount as the basis for future awards. The Yolo HCP/NCCP could easily secure awards that are greater than the average amount due to its large scale, multi-species nature, and status as a new NCCP (new NCCPs may be more successful with grants than established, older NCCPs).

- Historic grants are not inflation adjusted. That is, grants awarded in the past are not converted to today's dollars. Therefore, historic averages of grant awards are lower than actual amounts in today's dollars. This underestimates slightly the grant amounts the Yolo HCP/NCCP could be awarded in the future.

- This analysis is focused on the largest funding sources that target land acquisition; there are smaller grant sources that are not included in Table 1. For example, many restoration or habitat enhancement grants are excluded because they tend to be small dollar amounts (i.e., < $100,000). However, if the Yolo HCP/NCCP were to be awarded several of these smaller grants a year, this could add materially to the total (e.g., another $0.5 to 1 million over 10 years).

- ICF only included funding sources available today or about to be available in 2016; however, new funding sources will certainly arise in the first 10 years of the Plan. For example, another statewide parks and open space or water bond may be passed, either of which could support land acquisition and restoration projects for NCCPs.

# Conclusions

Using the methods described above, ICF concludes the following:

- Under the optimistic scenario, the Yolo HCP/NCCP has a reasonable chance of securing an estimated $40.4 million in state/federal funds in the first 10 years of Plan implementation. This would equate to over twice the state/federal funds needed to implement the Plan in the first 10 years ($19.2 million)

- Under the pessimistic scenario, the Yolo HCP/NCCP may come up short by an estimated $3.6 million (19%) on the 10-year need of state/federal funding ($19.2 million). The pessimistic scenario assumes that all of the potential funding sources are awarded much less frequently and at reduced amounts during the entire first 10 years of Plan implementation. ICF views this scenario as highly unlikely based on past experience and the expected competitiveness of this Plan.

- Actual grant awards for the Yolo HCP/NCCP are likely to fall somewhere in between the optimistic and pessimistic scenarios; however, they will likely be closer to the optimistic result because new plans often outcompete established plans. As a result, ICF concludes that meeting the estimated need of $19.2 million in state and federal funding in 10 years is feasible given the funding sources known today. If new sources arise (which is likely), the likelihood of achieving this goal would improve even further.

**Table 1. Optimistic and Pessimistic Estimates of State and Federal Funding for First 10 Years of Yolo HCP/NCCP Based on Known Funding**

| Potential Funding Source | Expected Duration (Up to 10 Years) | Max. Possible Annual Funding | Expected Average Annual Funding | | Total Expected Funding Over First 10 Years of Plan | | Rationale and Assumptions |
|---|---|---|---|---|---|---|---|
| | | | Optimistic Scenario | Pessimistic Scenario | Optimistic Scenario | Pessimistic Scenario | |
| **Federal** | | | | | | | |
| Endangered Species Act Section 6 Grant (HCP Land Acquisition) | 10 | $2,000,000 | $1,333,333 | $500,000 | $13,333,333 | $5,000,000 | Since 2002, an average of $20 million has been allocated to plans in California (or about 45% of national funding). Since 2012, this average has dropped to a stable $15 million annually. The funding cap for this grant currently limits awards to $2.0 million. The optimistic scenario assumes the maximum available grant in two of every three years. The pessimistic scenario assumes a $1.0 million grant every other year. |
| Endangered Species Act Section 6 Grant (Recovery Land Acquisition) | 10 | $1,200,000 | $197,000 | $118,200 | $1,970,000 | $1,182,000 | This funding is targeted towards the conservation of federally-listed species - the California Tiger Salamander and the Giant Garter Snake are the best candidates under this Plan. From 2010-2014, California received 16 awards with an average size of $591,000 each. There is no maximum award, but the largest award to California during this time period was $1.2 million (assumed as the maximum award amount for the purposes of this analysis). The optimistic scenario assumes one grant every 3 years of average size. The pessimistic scenario assumes one grant every 5 years of average size. |
| Central Valley Project Improvement Act Habitat Restoration Program | 10 | $570,000 | $198,750 | $88,333 | $1,987,500 | $ 883,333 | From 2009-2013, this program awarded an average of $863,000 annually to projects for land acquisition in the Central Valley. The average award size was $265,000; the largest award of $570,000 was assumed to be the maximum award amount for this analysis. This same amount is assumed to be available annually for 10 years. This program is prioritizing support for approved regional HCPs and NCCPs, so the chances of award for this Plan are high. The optimistic scenario assumes 1.5 times the average award every other year. The pessimistic scenario assumes an average award every 3 years. |

| Potential Funding Source | Expected Duration (Up to 10 Years) | Max. Possible Annual Funding | Expected Average Annual Funding | | Total Expected Funding Over First 10 Years of Plan | | Rationale and Assumptions |
|---|---|---|---|---|---|---|---|
| | | | Optimistic Scenario | Pessimistic Scenario | Optimistic Scenario | Pessimistic Scenario | |
| Land and Water Conservation Fund | 10 | $2,300,000 | $109,000 | $27,250 | $1,090,000 | $272,500 | This is a nationally competitive grant process. From 2000 to 2012, California received an average of $1.09 million annually for land acquisition to support parks and open space. The maximum grant award during this period was $2.3 million. There is an average of only two awards per year in the state. The optimistic scenario assumes an average award once every 5 years. The pessimistic scenario assumes 50% of an average award once every 10 years. |
| North American Wetlands Conservation Act Grant Program | 10 | Unknown | $155,875 | $44,536 | $1,558,750 | $445,357 | This program grants approximately 100 awards annually. Fiscal year 2014 funding for this program was $31,175,000, or equal to an average of $311,750 per award. Other sources can double this available funding. The optimistic scenario assumes 2 times the average award every 4 years. The pessimistic scenario assumes an average award every 7 years. |
| **Subtotal** | | | **$1,993,958** | **$778,319** | **$19,939,583** | **$7,783,190** | |
| **State** | | | | | | | |
| 2014 Prop. 1 to the California Department of Fish and Wildlife for Watershed Restoration and Delta Water Quality and Ecosystem Restoration | 10 | None | $1,000,000 | $500,000 | $10,000,000 | $5,000,000 | This is the allocation to the California Department of Fish and Wildlife for two grant programs under Proposition 1 (Water Quality, Supply, and Infrastructure Improvement Act of 2014). One program focuses on land acquisition within the Sacrament-San Joaquin Delta. $34.1 million is available under both programs in Fiscal Year 2015/2016. ($372,500,000 will be available in total over the life of the proposition). Therefore, similar amounts are expected in the future. The optimistic scenario assumes an average of $1.0 million per year. The pessimistic scenario assumes $0.5 million per year for the same duration. There is a high likelihood of funding for the Yolo HCP/NCCP because it will be competitive for both grant programs. |
| Proposition 1 to Wildlife Conservation Board for Delta NCCPs | 1 | N/A | - | - | $5,000,000 | $2,500,000 | This is the allocation to the Wildlife Conservation Board for implementation of NCCPs in the Delta. The optimistic scenario assumes a one-time award of $5.0 million. The pessimistic scenario assumes a one-time award of $2.5 million (50%). |

| Potential Funding Source | Expected Duration (Up to 10 Years) | Max. Possible Annual Funding | Expected Average Annual Funding | | Total Expected Funding Over First 10 Years of Plan | | Rationale and Assumptions |
|---|---|---|---|---|---|---|---|
| | | | Optimistic Scenario | Pessimistic Scenario | Optimistic Scenario | Pessimistic Scenario | |
| Oak Woodlands Conservation Act of 2001 and Rangelands, Grazing Land and Grassland Protection Program (both administered by the Wildlife Conservation Board) | 10 | Unknown | - | - | $5,000,000 | - | The original bond funding under this act is nearly expended; however, there is a new source of funds from cap and trade revenue from the Resources Agency. The optimistic scenario assumes grants to this Plan of $5 million over a 10-year time period. The pessimistic scenario assumes no funding due to a high degree of uncertainty. |
| Monitoring programs conducted by state that support HCP/NCCP | 10 | N/A | $50,000 | $25,000 | $500,000 | $250,000 | Species and ecosystem monitoring programs like the Ecosystem Restoration Program could support the HCP/NCCP. The optimistic scenario assumes a modest amount of support of $50,000 per year; the pessimistic scenario assumes $25,000 per year. |
| **Subtotal** | | | **$1,050,000** | **$525,000** | **$20,500,000** | **$7,750,000** | |
| **TOTAL** | | | **$3,043,958** | **$1,303,319** | **$40,439,583** | **$15,533,190** | |
| Yolo HCP/NCCP Need in 10 years | 10 | | $1,917,200 | $1,917,200 | $19,172,000 | $19,172,000 | This assumes a state/federal cost share of 23%, or $86,274,000 over 45 years to account for the need to complete land acquisition during this timeframe. |
| **Difference ($)** | | | **$1,126,758** | **-$613,881** | **$21,267,583** | **-$3,638,810** | |
| Difference (%) | | | | | 111% | -19% | |

Notes:

Average annual funding estimates are based on historic averages not adjusted to inflation, so are therefore conservative as projections of potential future funding.