

JANUARY 30, 2013  
CCHE BOARD MEETING  
AGENDA ITEM #5

CCHE Transition Planning

Background

The California Cultural and Historical Endowment (CCHE) was established in 2002 with the passage of Assembly Bill 716. Funding for both state operations and projects comes from voter-approved bonds from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002, more commonly known as Proposition 40.

Proposition 40 authorized the sale of \$2.6 billion in General Obligation bonds. Of that dollar amount, \$267.5 million – 10% -- was dedicated to Historical and Cultural Resources Preservation (Proposition 40, Article 5, Section 5096.652 (a)) and appropriated to California State Parks, the State Treasurer's Office, and the CCHE. The CCHE share of the \$267.5 million was appropriated in the Budget Act of 2003 and totaled \$128.4 million. This amount included \$121,985,000 which was to be distributed competitively by the CCHE to government entities, non-profit organizations, and Indian tribes for the acquisition, restoration, preservation, and interpretation of historical and cultural resources. The remaining amount, \$6.415 million was for use by the CCHE for staffing and operating expenses.

Use of Residual Funds in the Proposition 40 Subfund

Roughly \$1.4 million remains as residual funding in the subfund of Proposition 40 dedicated to historical and cultural resource preservation. These are largely CCHE's reverted funds from earlier appropriations and unappropriated funds from the original Proposition 40 subfund. In May 2012, CCHE Staff proposed and the Board approved using those funds to fund a new grant program for museums.

The enabling legislation of the CCHE, AB716, included the requirement that the CCHE "[t]o the extent funding is available for such purposes, establish a program to assist and enhance the services of California's museums..." and other cultural programs. The residual funding would enable the CCHE to create a museum support program that would ultimately be funded by the proposed Snoopy License Plate, the revenues from which will take six years to develop sufficiently to fully fund the new museum grant program.

Another option available to the board, if the membership no longer desires to pursue the license plate program, would be to award the residual funding , after legislative appropriation, to the last few applicants on the Wait List from CCHE's Fourth Round of competitive grants from 2010.

Grant Cycles & Current Status of Projects

The first grant cycle of the CCHE was completed in December of 2004, resulting in a reservation of approximately \$37 million. A second grant cycle was completed in April of 2006, with reservations of funding of approximately \$42 million. A third grant cycle was completed in August of 2007, with

reservations of funding totaling approximately \$43 million. Unused funds led to a residual, in 2010, of over \$7 million, which was reserved in a fourth grant cycle completed in April 2010. Five Round Four Applicants who were not funded are listed in order of board preference on a Wait List, in the event that additional CCHE project resources materialize.

In 2009, the original subfund of \$267.5 million had an unappropriated balance of \$2.7 million and in state fiscal year 2010-11, CCHE requested and received an appropriation of \$500,000 for projects and \$2.2 million for CCHE operating expenses.

The original appropriation for the CCHE project funds was re-appropriated in 2004 and available for encumbrance and expenditure through June 30, 2007. Bond financing issues and project delays led to extension requests and the CCHE project fund appropriation is now available for encumbrance and expenditure through June 30, 2013. This means that all awards must be fully encumbered and in a contract/grant agreement by June 30, 2013, in order to make use of the funding. There is a two-year liquidation period during which grantees can submit invoices for reimbursable grant expenditures.

There are 181 projects which have received funding awards. Of the 181, 143 (79%) have closed out, 7 (4%) are in the process of closing out, and 31 (17%) are active projects. A total of \$122,280,000 has been reserved and awarded for the 181 projects and of that amount, \$10.2 million (8%) has not yet been drawn upon by the remaining 31 active projects.

#### State Operations Budget, Staffing Plans, & New Museum Grant Program

On the state operations side of CCHE's funding, at the end of the 2011-2012 fiscal year, after nine years in existence, CCHE had fully expended the original operating budget appropriation of \$6.4 million plus a small portion (27%) of the 2010-11 augmentation of \$2.2 million. The balance of the 2010-11 augmentation will fund the CCHE through SFY 14-15 and leave a small residual. The authorized budgets for the remaining fiscal years are \$562,000 for 2012-13; \$430,000 for 2013-14; and \$330,000 for 2014-15.

The declining state operations budgets are consistent with the staffing plan prepared by the CCHE in March of 2011. That plan transitions the CCHE from six positions in 2011 (three permanent and three temporary) to three permanent positions in 2015. The Library has always maintained that it would assume any remaining CCHE employees in permanent positions at the end of the 2014-15 fiscal year as State Library employees and former State Librarian Stacey Aldrich reaffirmed this commitment in March of 2011.

The CCHE staffing plan was further refined upon the August 2011 departure of one of the three employees who had occupied a permanent position. This position was not refilled in order to prevent any subsequent personnel obligation on the Library. This has the effect of leaving the CCHE with only two permanent positions at the end of June 2015.

CCHE's March 2011 ramp down plan had also included the December 2012 departure of the Executive Officer following the conclusion of the survey reports and the 2012 culminating cultural summit. However, the Executive Officer has stayed on to assist with the new museum grant initiative that was part of the May 31, 2012, decision of the CCHE Board to serve as the State Sponsor for a proposed special interest license plate (SILP) featuring the cartoon character

Snoopy. The new grant program would be funded first with Proposition 40 residual funding until the license plate revenue is sufficient to support the grant program. All Proposition 40 grants would be for capital improvements only, consistent with the requirements of the bond funding.

CCHE's Executive Officer would perform the duties necessary to create the new grant program and run a competitive grant award process should the board decide to continue with that course of action. These duties include writing a request for proposals, leading public hearings on the grant guideline development process, establishing and administering a competitive grant application review process, working with CCHE counsel to ensure that all aspects of the new grant program are legally sound, developing a database for the grant applications, and presenting the grant applications to the CCHE board for their final decision making.

Anticipated changes in staffing in SFY 13-14 now make possible the continuation of the Executive Officer through most of next fiscal year and further administrative savings could enable the position to continue through the entire year. The Executive Officer could also stay on for a portion of 14-15 to facilitate the launch of the grant program and oversee the hiring of a lower level staff person to continue the grant program.

The workload and funding for the museum grant program is limited and in order for the program to make fiscal sense, the staffing will need to be strategic. For example, it might make sense to combine the program with another grant program so that the museum grant administrator might be a part-time position or a portion of another position. These details will need to be worked out as the program is being developed, but it is definitely the goal of the CCHE to have a larger percentage of the funding reaching the museums than supporting the program itself.

The attached CCHE Program Funding Chart proposes a Proposition 40-funded museum grant program operating budget of \$100,000 per year starting in 2015-16, with \$150,000 going to grants. By 2020-21, when plate revenues are expected to have accumulated to over \$787,000, the SILP funding will be used to administer the museum program at \$100,000 for the operating budget and \$250,000 going to grants, with that figure growing to \$300,000 for subsequent years.

This model would require support and cooperation from the CCHE's administrative host and a hiring approach that takes into consideration the limited resources and likely limited grant portfolio. Again, partnering with an existing grant program could help keep costs down.

#### Ongoing Efforts to Reduce Overhead Costs

CCHE continues to work to reduce overhead costs as much as possible so that the operational funds are preserved for as long as they will be needed. We are doing this by having teleconferenced meetings and scaling back on travel, cutting back on supplies, tightening the belt wherever possible. However, administrative and facilities costs still make up a large portion of our costs.

The Natural Resources Agency (Resources) has indicated that CCHE could anticipate savings in administrative and facility costs if the organization were moved to Resources. Additionally, the nature of the work and the nature of the funding are similar to work within Resources and there would be more opportunities for collaboration among grant making programs. The new license plate is also expected to generate funding for the Environmental License Plate Fund, a Resources-

administered fund which receives fees from personalized license plates expected to be purchased in conjunction with the new Snoopy license plate.

**Staff Recommendations**

The staff recommends the Board reconfirm its commitment to invest the residual subfund resources in the new museum grant program which would have lasting benefits for the state's cultural heritage preservation efforts.

The staff further recommends that the board support a move to Resources as a means of achieving administrative cost savings and providing a good successor agency for the CCHE. The proposed license plate-funded program would be mutually beneficial to the CCHE and Resources. Having the two organizations within the same budget unit facilitates planning and oversight and helps to ensure the continued success of this bond-funded program.

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