

## CALIFORNIA COASTAL COMMISSION

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October 14, 2008

To: California Coastal Commission  
Coastal Commission Staff  
Interested Persons

From: Peter Douglas, Executive Director  
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Coastal Commission Budget Sub-Committee Members  
Commissioner William Burke and Commissioner Mary Shallenberger

Subject: **Coastal Commission's Budget for FY 08-09**

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This memorandum provides a brief description of the Commission's FY 08-09 budget. Staff is still analyzing the recently signed budget and preparing cost projections for the fiscal year and will provide additional information to the Commission as the fiscal year progresses. (Please see the detailed information provided in the May 2, 2008 and July 8, 2008 reports to the Commission and available on the Commission's website for budget history).

## Coastal Commission Budget for FY 08-09

***On September 23, 2008 Governor Schwarzenegger signed the final FY 08-09 budget. Before he signed the budget, the Governor used his line item veto to reduce the Coastal Commission's general fund budget allocation by \$617,000 (approximately 5%) and reduced overall personnel years from 144.9 to 138.8 (6.5 positions/6.1 personnel years [PY]) from the Commission's budget as approved by the Legislature.*** The Governor's January 2008 proposed budget and May Revise included a 10% \$1.2 million 16.2 position general fund reduction. Thus, the final enacted budget included cuts that were less than the projected worst case scenario.

The final budget did include an appropriation of \$524,000 from the Commission's increased filing fee revenues to cover some operating expenses. This \$524,000 appropriation includes a baseline augmentation of \$319,000 for facilities operations, information technology network connections, and equipment replacement, and a one-time cost of \$205,000 for information technology hardware and equipment replacement. The baseline augmentation will help address some of the Commission's ongoing

shortfall of funds to cover operating expenses, but the Commission continues to have inadequate funds to cover operating costs and replace aging equipment.

Based in part on recommendations from the Legislative Analyst Office, (LAO) Legislative Budget Subcommittee and the Department of Finance, the Commission began a rulemaking process in 2007 to increase permit/filing fees. The new, increased filing fees were approved by the Office of Administrative Law and have been in effect since March 17, 2008. When the Commission approved the higher filing fees the Commission adopted a resolution that encouraged that all filing fees be used to augment the Commission's budget to provide better services to the public.

Since FY 99-00 all the revenue from Commission's filing fees was deposited in the Coastal Access Account at the Coastal Conservancy and used for critical coastal maintenance projects. Budget trailer bill language adopted as a part of the final FY 08-09 budget, established a new special fund for the Coastal Commission entitled the Coastal Act Services Fund. All filing fees received by the Coastal Commission will now be deposited in this account instead of the Coastal Access Account at the Coastal Conservancy. The Coastal Conservancy will continue to receive funds for coastal access (\$500,000) from the filing fees via a yearly transfer from the Coastal Act Services Fund to the Coastal Access Account.

### **Final FY 08-09 Budget is Inadequate to Meet Projected Costs**

As we have reported to the Commission since mid-2007, the Commission's budget situation is extremely constrained and has for the past two fiscal years been at risk of year-end deficits. We have avoided deficits by severe cost-cutting measures and by increasing short-term reimbursement revenue by completing special projects for other agencies. Although the total budget in the attachments reflects a bottom line increase in funding, you will note that the General Fund amount is declining. Consequently, the Commission continues to increase its dependence on contracts and reimbursements from State agencies. Income from these sources is not dependable because client agencies face similar budget pressures. In addition, reimbursable income results in workload management problems with staff being diverted to special contracts projects. The staff is still in the process of determining the impact of pending non-general fund revenue. It is clear at this point in time that in order to finish the fiscal year without a deficit the Commission will be forced to keep a large number of vacant positions unfilled and must continue its ongoing cost-cutting measures.

### **Proactive Steps Taken To Reduce Costs**

As described in the May 2, 2008 and July 8, 2008 reports, the Commission has taken a large number of steps to reduce costs. These measures are listed below and will continue through FY 08-09. Unfortunately, these actions are so severe that they substantially impair the Commission's ability to operate and carry out its legally mandated work.

## Cost-Cutting Measures

- Terminated all limited-term staff in January 2008 to reduce costs;
- Began the implementation of a Department of Personnel Administration (DPA) approved layoff plan in June 2008 and notified 46 permanent Coastal Commission staff employees that they were at risk for lay-off. As a result of the lay-off notices, many employees accepted other positions and the Commission now has a projected vacant position count of 19 positions for all or part of FY 08-09. We are now in the process of completing the current lay-off process. If future budget cuts occur a new layoff process would need to be initiated. DPA estimates that the complete layoff process takes about 6 months.
- Holding vacant positions open to meet required salary savings, new budget cuts, and underfunded costs (19 projected vacant positions for FY 08-09);
- Instituted and encouraged staff participation in a voluntary “Leave-Without-Pay” program. Over 70 Commission staff members have pledged over \$218,000 (704 staff days) of leave-without pay for FY 08-09 to reduce staff layoffs;
- Eliminated essentially all training (including legally required training);
- Drastically reduced staff travel to only absolutely essential attendance at Commission meetings and select site visits, and some critical project related meetings;
- Considering limiting hours Commission offices are open to serve the public so that staff can focus on production;
- Eliminated all but absolutely essential mission critical purchases;
- Reduced all Coastal Commission public hearings to a maximum of 3 days per month to reduce costs. Holding Commission meetings in public meeting rooms to avoid meeting room costs. Keeping travel costs to meetings to the absolute minimum sometimes causing inconvenience to Commissioners. We will be considering holding future Commission meetings in only a few locations statewide to reduce costs and may need to consider reducing the number or length of FY -08-09 Commission meetings to save costs.

Staff will continue its work with the Commission’s Budget Sub-committee and report back to the Commission at future meetings on the status of the Commission’s budget as we move through the fiscal year.

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FINAL BUDGET SUMMARY

The California Coastal Commission, comprised of 12 voting members appointed equally by the Governor, the Senate Rules Committee, and the Speaker of the Assembly, was created by voter initiative in 1972 and was made permanent by the California Coastal Act of 1976 (Coastal Act). The Coastal Act calls for the protection and enhancement of public access and recreation, marine resources, environmentally sensitive habitat areas, marine water quality, agriculture, and scenic resources, and makes provisions for coastal-dependent industrial and energy development. New development in the coastal zone requires a coastal permit either from local government or the Commission. Local governments are required to prepare a local coastal program (LCP) for the coastal zone portion of their jurisdiction. After an LCP has been reviewed and approved by the Commission as being consistent with the Coastal Act, the Commission's regulatory authority over most types of new development is delegated to the local government, subject to limited appeals to the Commission. The Commission also is designated the principal state coastal management agency for the purpose of administering the federal Coastal Zone Management Act in California and has exclusive regulatory authority over federal activities such as permits, leases, federal development projects, and other federal actions that could affect coastal zone resources and that would not otherwise be subject to state control.

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)

Pending management decision  
See BBR notes below

	Positions			Expenditures			FINAL BUDGET ACT
	2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*	
10 Coastal Management Program	111.5	115.5	115.5	\$16,272	\$16,071	\$16,736	16,742
20 Coastal Energy Program	6.1	6.6	6.6	762	879	912	1,076
30.01 Administration	22.9	22.8	22.8	1,793	1,812	1,914	1,827
30.02 Distributed Administration	-	-	-	-1,658	-1,712	-1,814	-1,727
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>140.5</b>	<b>144.9</b>	<b>144.9</b>	<b>\$17,169</b>	<b>\$17,050</b>	<b>\$17,748</b>	<b>17,968</b>

FUNDING

	2006-07*	2007-08*	2008-09*	
0001 General Fund	\$11,457	\$11,709	\$11,809	11,192
0371 California Beach and Coastal Enhancement Account, California Environmental License Plate Fund	1,331	1,307	1,339	
0593 Coastal Access Account, State Coastal Conservancy Fund			524	
0890 Federal Trust Fund	2,847	2,513	2,544	
0995 Reimbursements	1,534	1,521	1,532	2,369
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>	<b>\$17,169</b>	<b>\$17,050</b>	<b>\$17,748</b>	<b>17,968</b>

BBR - 9.0 positions  
+ 1.5 salary savings  
- 8.5 (LT 2 years)  
+ 2.4 (Finance Letter)  
Net PY reduction 6.1

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Public Resources Code, Division 20, Section 30000 et seq. and Title 16, United States Code, Chapter 33, Section 1451 et seq.

ACTUAL Expenditures 2007-08 → 11681, 1307, 2407, 2303, 17697

MAJOR PROGRAM CHANGES

Act Services Fund

- Operating Expense Budget Restoration - The Budget includes \$524,000 Coastal Access Account to upgrade the Commission's information technology equipment and other operating expenses.

BUDGET-BALANCING REDUCTIONS (BBR) [printed numbers did not include]

- The Budget includes General Fund reductions of \$1.2 million and 16.2 positions in 2008-09. The major budget balancing reductions include:
  - 2008-09 Reduce \$956,000 and 14.3 personnel years from the Coastal Management Program. This reduction will decrease the resources available for reviewing permits and local coastal programs, and enforcement activities.
  - Reduce \$52,000 from the Coastal Energy Program. This reduction will decrease the resources available for reviewing industrial and infrastructure projects.
  - Reduce \$173,000 and 1.9 personnel years from Administration.

The handwritten numbers reflect a \$617,000 General Fund reduction per Governor's veto of funds.

Note: Management decision pending regarding actual position reductions and corresponding program funding impact

\* Dollars in thousands, except in Salary Range.

Budget Year	General Fund <sup>a/</sup>	Other State Funds					Federal Funds	Reimbursements	Total Funds	Personnel Years		
		Bagley Conservation Fund	Environmental License Plate Fund	Outer Continental Shelf Lands Act 8(g) Fund	Coastal Beach & Coastal Enhancement Account	Coastal Act Services Fund				Perm PY	Temp Help PY	Total PY <sup>b/</sup>
1972-1973	\$0	\$376,416						\$376,416	12.9		12.9	
1973-1974	\$302,735	\$2,130,863						\$2,433,598	90.9		90.9	
1974-1975	\$549,324	\$1,902,134				\$1,074,762	\$0	\$3,526,220	124.9		124.9	
1975-1976	\$1,018,930	\$1,389,461				\$1,117,288	\$0	\$3,525,679	118.5		118.5	
1976-1977	\$3,452,735	\$728,471				\$927,950	\$0	\$5,109,156	134.5		134.5	
1977-1978	\$3,420,707	\$0				\$1,605,000	\$758,185	\$5,783,892	193.3		193.3	
1978-1979	\$5,862,713	\$0				\$1,906,387	\$70,016	\$7,839,116	198.8		198.8	
1979-1980	\$6,420,707	\$0	\$12,000			\$2,607,292	\$60,000	\$9,099,999	200.6		200.6	
1980-1981	\$6,203,000	\$0	\$181,000			\$7,096,000	\$41,000	\$13,521,000	212		212.0	
1981-1982	\$6,470,000	\$0	\$198,000			\$3,873,000	\$39,000	\$10,580,000	187.9		187.9	
1982-1983	\$6,374,000	\$0	\$150,000			\$3,591,000	\$40,000	\$10,155,000	169.5		169.5	
1983-1984	\$5,169,000	\$0	\$280,000			\$1,426,000	\$40,000	\$6,915,000	129.9		129.9	
1984-1985	\$5,645,000	\$0	\$303,000			\$2,615,000	\$40,000	\$8,603,000	127		127.0	
1985-1986	\$5,619,000	\$0	\$329,000			\$1,772,000	\$40,000	\$7,760,000	114.2		114.2	
1986-1987	\$5,906,000	\$0	\$344,000			\$2,313,000	\$40,000	\$8,603,000	117.7	4.7	122.4	
1987-1988	\$5,895,000	\$0	\$392,000			\$1,837,000	\$40,000	\$8,164,000	114.2	0	114.2	
1988-1989	\$6,195,000	\$0	\$401,000			\$2,539,000	\$40,000	\$9,175,000	110.1	9.1	119.2	
1989-1990	\$5,958,000	\$0	\$429,000			\$2,071,000	\$40,000	\$8,498,000	110.1	1.6	111.7	
1990-1991	\$5,870,000	\$0	\$1,093,000			\$1,771,000	\$40,000	\$8,774,000	105.1	13.9	119.0	
1991-1992	\$5,713,000	\$0	\$1,107,000			\$2,276,000	\$351,000	\$9,447,000	110.1	19.2	129.3	
1992-1993	\$4,525,000	\$0	\$1,135,000	\$797,000		\$2,284,000	\$409,000	\$9,150,000	114.6	5.9	120.5	
1993-1994	\$4,483,000	\$0	\$1,194,000	\$807,000		\$2,785,000	\$520,000	\$9,789,000	113.0	13.9	126.9	
1994-1995	\$4,736,000	\$0	\$1,215,000	\$830,000		\$2,968,000	\$477,000	\$10,226,000	114.3	12.0	126.3	
1995-1996	\$5,741,000	\$0	\$1,223,000	\$0		\$3,556,000	\$496,000	\$11,016,000	113.5	13.1	126.6	
1996-1997	\$5,610,000	\$0	\$1,298,000	\$0		\$2,992,000	\$563,000	\$10,463,000	109.7	9.5	119.2	
1997-1998	\$7,190,000	\$0	\$1,292,000	\$0		\$2,691,000	\$679,000	\$11,852,000	112.1	9.9	122.0	
1998-1999	\$8,175,000	\$0	\$0	\$0	\$68,000	\$2,666,000	\$800,000	\$11,709,000	113.6	9.2	122.8	
1999-2000	\$9,454,000	\$0	\$0	\$0	\$247,000	\$2,772,000	\$787,000	\$13,260,000	127.5	10.4	137.9	
2000-2001	\$12,107,000	\$0	\$0	\$0	\$371,000	\$2,827,000	\$916,000	\$16,221,000	141.8	16.2	158.0	
2001-2002	\$11,723,000	\$0	\$0	\$0	\$394,000	\$3,237,000	\$1,083,000	\$16,437,000	149.1	18.5	167.6	
2002-2003	\$10,715,000	\$0	\$0	\$0	\$438,000	\$3,110,000	\$1,249,000	\$15,512,000	150.6	4.4	155.0	
2003-2004	\$9,459,000	\$0	\$0	\$0	\$394,000	\$3,084,000	\$1,552,000	\$14,489,000	136.2	0.7	136.9	
2004-2005	\$9,788,000	\$0	\$0	\$0	\$513,000	\$3,071,000	\$1,693,000	\$15,065,000	128.0	4.1	132.1	
2005-2006	\$9,919,000	\$0	\$0	\$0	\$580,000	\$3,216,000	\$1,589,000	\$15,304,000	132.0	4.2	136.2	
2006-2007	\$11,457,000	\$0	\$0	\$0	\$624,000	\$2,847,000	\$1,534,000	\$16,462,000	135.3	5.2	140.5	
2007-2008	\$11,680,717	\$0	\$0	\$0	\$595,872	\$2,407,000	\$2,302,722	\$16,986,311	138.6	4.6	143.2	
2008-2009	\$11,192,000	\$0	\$0	\$0	\$596,000	\$2,544,000	\$2,369,000	\$17,225,000	132.0	6.8	138.8	

a/ State Operations funding only. Does not include Local Assistance funding. Fiscal Year 1980-81 through 2007-2008 reflects past year actual support operations expenditures as reflected in the Governor's Budget. FY 2008-2009 reflects estimated expenditures as of 10-9-08.

b/ Fiscal Year 1972-73 through FY 2007-08 are actual "Personnel Years" expended (not authorized positions). FY 2008-2009 reflects authorized personnel years