

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 3480	Department Conservation	Priority No. 3
Budget Request Name 3480-003-BCP-BR-2016-GB		Program 2430 DIVISION OF LAND RESOURCE PROTECTION	Subprogram 2430010 - CALIFORNIA FARMLAND CONSERVANCY PROGRAM

Budget Request Description  
 CA Farmland Conservancy Program

**Budget Request Summary**

The Department of Conservation's Division of Land Resource Protection requests a one-time local assistance appropriation of \$1.142 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Proposition 40). Funds will be used by the California Farmland Conservancy Program to provide grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR      Project No.      Date:		

If proposal affects another department, does other department concur with proposal?     Yes     No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By Larelle Burkham-Greydanus	Date 8/5/15	Reviewed By <i>[Signature]</i>	Date 1/6/16
Department Director <i>[Signature]</i>	Date 1/6/16	Agency Secretary <i>[Signature]</i>	Date 1/6/16

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Dept. of Technology

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA	Original Signed By <b>Ellen Moratti</b>	Date submitted to the Legislature
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## Analysis of Problem

### A. Budget Request Summary

The Department of Conservation's (Conservation) Division of Land Resource Protection (DLRP) requests a one-time local assistance appropriation of \$1,141,800 from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Prop. 40). These funds will be used by the California Farmland Conservancy Program (CFCP) to provide grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements. We request funds to be available for expenditure until June 30, 2019.

### B. Background/History

The DLRP is principally focused on the conservation of agricultural and open space land resources. DLRP's programs include the Williamson Act Program, the Farmland Mapping and Monitoring Program, the CFCP, the Resource Conservation District Assistance Program, and the Watershed Program. The CFCP provides grant funding to non-profit land trusts and local governments for the purchase of agricultural conservation easements that protect farmland in perpetuity.

Agricultural conservation easements are an effective tool for directing urban and rural residential growth away from strategically important farmland. In many cases the conservation of agricultural lands also benefits wildlife habitat, groundwater recharge, and other ecosystem services. Local governments are increasingly mitigating farmland conversion impacts by requiring the creation of agricultural conservation easements on farmland with comparable resource values. CFCP grants are often used in conjunction with, and in addition to, those locally-mandated mitigations to significantly multiply the acreage and resource values protected.

Since its inception in 1996, the CFCP has provided \$83 million in grant funding to permanently protect over 57,000 acres of agricultural land. CFCP program delivery and grant funding has been provided from several sources, including the General Fund, the Environmental License Plate Fund, and the Soil Conservation Fund. Bond funding for the CFCP has come from Proposition 12 in 2000, Proposition 40 in 2002, and Proposition 84 in 2008. CFCP easement grants have averaged approximately 37 percent of appraised easement value, with match funding coming from landowner donations, federal, local, and other State grant awards, and funding from private foundations.

#### CFCP (Prop 40) Local Assistance Funding Resource History (Dollars in thousands)

Program Budget	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Authorized Expenditures	7,900	2,486	0	0	0	0
Actual Expenditures*	5,774	289	0	0	0	0

\*Actual Expenditures Bond Appropriations allow three years to expend appropriated funds and two years to liquidate encumbered funds. Actual Expenditures may not occur in the Year of Appropriation.

#### Prop 40 Workload History

Workload Measure	2010/11	2011/12	2012/13	2013/14	2014/15	Total
<b>2010/11 Appropriation</b>						
Conservation Easements, Grants Encumbered	3	7	6	0	0	16
Representing Conservation Easement Acres	1,233	1,546	1,056	0	0	3,835
Planning Grants Encumbered	1	0	0	0	0	1
<b>2011/12 Appropriation</b>						
Conservation Easements, Grants Encumbered	0	0	3	4	0	7
Representing Conservation Easement Acres	0	0	496	2,022	0	2,518

## Analysis of Problem

### C. State Level Considerations

California agriculture generates over \$31 billion in commodities annually, and over \$70 billion is derived from related economic activities such as food processing and other value-added income. Agricultural conservation easements are recognized as an effective tool for local governments to utilize in directing future growth by permanently removing the development potential. However, the continued increase in real estate values across the State is placing enormous speculative land conversion pressures on California's farmland due to the peripheral pressures associated with development. In particular, agricultural valleys are continuing to be the focus of increased population growth pressures that are being driven by continued high levels of resident births, as well as immigration into the State.

The Department of Finance (DOF) has projected that the population of California will increase by nearly 20 million citizens by 2040 as approximately 575,000 new residents are added to the State's population each year. During this same period, it is anticipated that the population of the agriculturally rich Central Valley will more than double (from 5 million to 12 million citizens). Consequently, it is likely that the growth will consume vast quantities of prime agricultural land if actions are not taken to protect them.

Agricultural conservation easements do not stop urban growth, but serve as a tool to redirect this inevitable growth toward less agriculturally productive lands. When used in combination with consistently applied local planning and zoning rules, they provide a substantial incentive for directing future growth away from productive farmlands. Specifically, CFCP grants compensate farmers for voluntarily retiring the development potential from their properties, and the easements give the farmers and local governments the certainty that protected lands will remain available for agricultural production forever. In addition, this attribute may also assist with the stabilization of local agricultural land prices and strengthen the long-term commitment to both farming and associated agricultural support industries.

This proposal supports Conservation's Strategic Plan and is consistent with one of Conservation's functions: To assist with conserving agricultural and open space land in California. Farmland conservation can be achieved while simultaneously strengthening the commitment to the State's agricultural economy, in addition to stabilizing and enhancing natural resource conditions for wildlife and wildlife habitat that exist on agricultural lands.

#### **California Reporting Requirements**

CFCP grant information will be made directly available to the public through the CFCP website and the Natural Resources Agency's bond and conservation easement registry. Conservation will also prepare a Prop 40 final report for public distribution, summarizing program expenditures.

#### **Environmental Protection Indicators for California (EPIC) Impacts**

The permanent conservation of critical farmland through this proposal relates directly to several EPIC indicators. Specifically, farmland conservation work is a part of Ecosystem Health Indicators, including Land Management and Land Cover, and Agro-ecosystem Health. Farmland conservation also benefits wildlife habitat and watershed health indicators.

### D. Justification

Agricultural conservation easements permanently prevent development, allowing local entities to direct future growth away from important farmland. In many cases the conservation of agricultural lands provides additional important benefits, including wildlife habitat and groundwater recharge. Prop 40 specifically identifies \$75 million in funding for the preservation of agricultural lands, grazing lands, and oak woodlands conservation.

This request is not for new funding, but for Prop 40 local assistance funds previously appropriated to the CFCP and not expended. The 2010/11 BCP #6 appropriated \$7.9 million to the CFCP for local assistance grants. These funds were encumbered for 17 grants. Because one grant was not completed and ten others were completed under budget, a total of \$646,076 of these funds were not expended.

## Analysis of Problem

The 2011/12 BCP #5 appropriated \$2.486 million to the CFCP for local assistance grants. These funds were encumbered for seven grants. Of these, one grant was not completed and another was completed under budget, leaving a balance of \$495,736 unexpended.

The remaining total of unused 2010/11 and 2011/12 funds is \$1,141,800. The two projects not completed were withdrawn by the landowners due to property title complexities and owner financial issues. The detail of this request is displayed in the table below.

<b>2010/11 Prop 40 Funding</b>	
Projects Withdrawn	\$187,464
Projects Under Budget	\$458,600
<b>Unused Proposition 40 Funds</b>	<b>\$646,076</b>
<b>2011/12 Prop 40 Funding</b>	
Projects Withdrawn	\$468,736
Projects Under Budget	\$27,000
<b>Unused Proposition 40 Funds</b>	<b>\$495,736</b>
Total Projects Withdrawn	\$656,200
Total Projects Under Budget	\$485,600
<b>Amount Requested for One-Time Appropriation</b>	<b>\$1,141,800</b>

On average, one grant completes one easement. Historically, CFCP funded agricultural conservation easements range in size from 40 to 4,200 acres and, on average, CFCP funded easements are 330 acres. If we are unable to use the \$1,141,800, we cannot permanently protect 787 acres of farmland under three permanently protected agricultural conservation easements.

The DLRP is uniquely qualified to administer funds directed toward efforts to conserve agricultural land resources and promote local agricultural conversion mitigation efforts. The CFCP has administered over \$83 million in previously appropriated funds for grants to purchase agricultural conservation easements, as well as for planning purposes. In so doing, the DLRP has established strong relationships with non-profit land trusts and local governments, as well as farmers and resource conservation consultants in initiating and completing these complex real estate transactions.

The CFCP has a record of leveraging bond proceeds with significant non-State funding for agricultural land conservation. Matching funds have come from the federal Agricultural Land Easement Program (formerly the Farm and Ranch Lands Protection Program), locally derived funding sources, landowner donations, and private foundations, such as the Packard Foundation. Local government mitigation fees on new developments that convert farmland can also serve as a match for CFCP grants. The historical average of CFCP grant funding is 56 percent of easement value, indicating a high level of match funding. By statute, the CFCP can fund up to 95 percent of easement value.

### E. Outcomes and Accountability

The CFCP works with landowners, local governments, and non-profit land trusts to conserve productive farmland and diverse open spaces. The DLRP proposes to commit the grant funds over the first two years, with one additional year required to administer the completion of all grants, as necessary. Proposed grant funds would be administered in concert with additional sources. The \$1,141,800 will be used to complete additional conservation easements in conjunction with other funds.

The CFCP has established protocols for grant administration, and it is expected that this experience will yield continuing benefits and efficiencies in administering the proposed grant funds.

## Analysis of Problem

Outcome reports for funded projects are completed on an annual or more frequent basis in the form of project status reports to other State agencies, such as the DOF, as well as posting on the Conservation website. All projects are subject to audit by DOF, at both the grantee and Department levels. The CFCP was the subject of extensive audits by DOF in 2007 and 2011, and was determined to have acceptable control measures and accountability.

### F. Analysis of All Feasible Alternatives

#### Alternative #1 - Do not approve this funding request.

##### Pros:

- Saves the State bond maintenance costs if funds are not authorized.

##### Cons:

- Prop 40 funds will remain unused and underutilized.
- Fails to address an important need to engage local governments in addressing agricultural land conservation within their jurisdictions.
- Diminishes efforts of local governments to mitigate the losses associated with agricultural land by utilizing more effective planning in their land use decisions.

#### Alternative #2 – Approve request for a one-time local assistance appropriation of \$1,141,800 from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Prop. 40).

##### Pros:

- Prop 40 funds previously appropriated to the CFCP will be utilized.
- Provides funding for grants to preserve the highest priority agricultural lands, as determined at the local level and verified by the CFCP.
- Encourages local governments to recognize opportunities to partially mitigate the losses of agricultural land that result from their planning and land use decisions.
- Maximizes programmatic efficiencies by coordinating administration of grant funds with those derived from other sources.

##### Cons:

- Increase in State spending.

#### Alternative #3 - Approve request for a one-time local assistance appropriation of \$495,730 from 2010/11 for use in 2016/17, and \$646,070 from 2011/12 for use in 2017/18 from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Prop. 40).

##### Pros:

- Prop 40 funds previously appropriated to the CFCP will be utilized.
- Provides funding to grants to preserve the highest priority agricultural lands, as determined at the local level and verified by the CFCP.
- Encourages local governments to recognize opportunities to partially mitigate the losses of agricultural land that result from their planning and land use decisions.
- Maximizes programmatic efficiencies by coordinating administration of grant funds with those derived from other sources.

##### Cons:

- Does not utilize all funds in 2016/17 to address an important need to engage local governments in addressing agricultural land conservation within their jurisdictions.
- Increase in State spending.
- Administrative costs for an additional year.

## Analysis of Problem

### G. Implementation Plan

Grant funds would be allocated over a three-year period, with ongoing administration and completion of conservation easement transactions continuing for a fourth and final year.

### H. Supplemental Information

None.

### I. Recommendation

The Department recommends Alternative 2 - Approve request for a one-time local assistance appropriation of \$1,141,800 from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Prop. 40). The department requests that these funds be available for expenditure through June 30, 2019.

## BCP Fiscal Detail Sheet

BCP Title: CA Farmland Conservancy Program

DP Name: 3480-003-BCP-DP-2016-GB

### Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	1,142	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$1,142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$1,142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Fund Summary

Fund Source - Local Assistance						
6029 - California Clean Water, Clean Air, Safe	0	1,142	0	0	0	0
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$1,142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$1,142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### Program Summary

Program Funding						
2430010 - Open-Space Subvention Administration	0	1,142	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$1,142</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>