

## **APPENDIX M: STATE FISCAL SUPPORT FOR THE NORTH CAROLINA NERR**

The NCNERR September 2005 Evaluation Findings included the following necessary action.

**NECESSARY ACTION (State Financial and Administrative Support):** The DCM and the Reserve must address the appropriate use of federal funds and develop options for state support for the NCNERR, including match identification. Written documentation of this effort must be submitted to NOAA in April 2006 for review and approval as part of the draft cooperative agreement application due at that time.

Additionally, the Evaluation Findings required that the updated NCNERR management plan address the limited state financial support of the Reserve.

The requisite written documentation was submitted via a memorandum to ERD in April 2006 and included recognition of the evaluation team's concerns, progress made since the findings were finalized, and additional steps to take in the future. The progress and future strategies sections of the memorandum have been updated and form the basis of this appendix which addresses appropriate use of federal funds and options for increasing state fiscal support. These support Objective 5.5, Activity 3 of this management plan: "increase state monetary support of the NCNERR".

The North Carolina Coastal Reserve (NCCR) includes ten sites, four of which comprise the NCNERR. Because the NCNERR is nested within the NCCR and there is not adequate state fiscal support for the six state sites within the NCCR, staff funded by the 315 award manage and occasionally conduct programs on several of the state sites. The DCM and NCNERR recognize that federal 315 funds are to be used to fund NCNERR staff and to complete tasks outlined in the annual award on NCNERR sites to support NCNERR programs. The DCM and NCNERR also recognize that all programs and products funded by the 315 award must be recognized as such to maintain the NCNERR and NOAA identity.

State match for the NCNERR 315 award has historically included the funding of the Reserve Manager, Education Coordinator, and Research Coordinator, as recommended by the annual 315 funding guidance. Financial shortfalls since 2001 resulted in a series of budget cuts across all state programs to balance the state budget; the DCM budget was reduced by \$589,185 between fiscal years 2001-2002 and 2004-2005 and \$144,309 or 24% of this amount was taken from the NCCR budget. As such, the traditionally state-funded positions of Research Coordinator, Education Coordinator, and half of the Reserve Manager were moved from state funds to the NCNERR 315 award over a period of 2 years, reducing the amount of state fiscal support available to match the award. During this period, the NCNERR relied on alternative sources of match such as volunteer hours and Rachel Carson boardwalk construction funds to match the 315 awards, since the amount of preferred match of state supported staff was reduced. The state budget stabilized between fiscal years 2005-2006 and 2007-2008 and the Reserve Manager position was moved back to state funding. Recent downturns in the economy have resulted in a 5% reversion of the fiscal year 2008-2009 budget and state agencies are assembling a 15% budget reduction scenario for the 2009-2011 biennial budget. The DCM has sheltered the Reserve from the bulk of the reversion for 2008-2009 and the Reserve budget will not be

impacted by the 2009-2010 reduction scenarios as currently written.

The Reserve has historically relied on waived indirect costs from the University of North Carolina at Wilmington (UNCW) for the 315 funded contract positions to provide a portion of the match for the 315 award. While DCM sincerely appreciates this assistance provided by UNCW and plans to continue to use waived indirect to match the 315 award for the foreseeable future, reliance on waived indirect to match the 315 award on an annual basis is not sustainable and it does not provide cash to the Reserve to fund staff or programs.

Table 1 outlines how the NCNERR matched its 315 awards for fiscal years 2004-2010. The availability of state support has increased during this time period resulting in better matching of the 315 award and reduced reliance on match from other sources, yet there is still much need for improvement as indicated by the high numbers in the match from other sources column. Match from other sources accounts for 44-73% of the total match for the 315 awards.

Table 1. Breakdown of 315 award federal and non-federal match for fiscal years 2004-2010.

Year	Federal	Non-Federal Match	
		State Fiscal Support <sup>1</sup>	Match from Other Sources <sup>2</sup>
2004-2005	\$555,000	\$64,726	\$173,132
2005-2006	\$555,000	\$95,935	\$141,923
2006-2007	\$560,000	\$104,539	\$135,461
2007-2008	\$540,000	\$93,640	\$137,789
2008-2009	\$555,000	\$132,555	\$105,303
2009-2010	\$587,190	\$114,116	\$137,537
<sup>1</sup> Includes relevant state-funded NCNERR staff and cash for operations			
<sup>2</sup> Includes relevant state-funded DCM staff, waived indirect from UNCW, volunteer hours, non-profit organization support, and boardwalk expenses			

Positive steps have been taken by DCM and the Reserve to increase state fiscal support of the NCNERR and to ensure more appropriate use of 315 funds:

- The Reserve Manager position, which oversees both the NCNERR and the NCCR, is now fully supported by state funds. This position was historically state-funded, but was funded by state funds and 315 funds (50:50) from 2003-2005 as a result of state budget cuts. Since 2006 the Reserve Manager’s position has been fully funded by state appropriations and 100% of salary was used as State match. In fiscal year 2009-2010 only 75% of the Manager’s salary was used as match since 25% of the Manager’s time is spent on State site issues.
- The DCM continues to provide state funds to support the operations of the NCNERR which includes building leases, vehicle leases, travel, supplies, and other miscellaneous expenses.
- Supplies and travel for state reserve sites continue to be provided by either state funds

or CZMA 306 funds and are tracked accordingly.

- A portion of the DCM Public Information Officer's salary and fringe continues to match the 315 award for document review and Carolina Estuarine Reserve Foundation newsletter preparation.
- The DCM provided \$25,914 in state funds to match construction award NA06NOS4200052 to complete the joint CCFHR-NCNERR administration and education building in Beaufort, North Carolina during fiscal years 2006-2007 and 2007-2008.
- The DCM supported state funding of both the Research Coordinator and Northern Sites Manager positions as its top budget request to DENR for fiscal years 2008-2009 and 2009-2011. Both positions are currently funded by the NCNERR 315 grant. The Research Coordinator was historically funded with state appropriations until fiscal year 2002-2003 when budget cuts forced the position to be funded by the 315 grant. As a core position of the Reserve, it is a high priority to move this position back to state funding to match the 315 grant. The Northern Sites Manager is responsible for managing one NCNERR site (Currituck Banks) and two state sites. State funding of this position will allow for more appropriate use of 315 funds by not using 315 funds to manage the two state sites and one-third of the position may be used to match the 315 grant, providing an additional source of match for the 315 grant. DENR included this item in its 2008-2009 budget for the Governor, but the item was not included in the final gubernatorial budget.
- The DCM supported creation and state funding of a Central Sites Manager for the Reserve as its fourth out of five top budget requests to DENR for fiscal years 2008-2009 and 2009-2011. The Central Sites Manager would manage one NCNERR site (Rachel Carson) and one state site. Creation and funding of this position would fulfill a high priority staffing need and one-half of the position may be used to match the 315 grant, providing an additional source of match for the 315 grant. DENR did not include this budget item in its 2008-2009 or 2009-2011 budget requests to the Governor.
- The Reserve staff continues to remain diligent in clarifying NCCR and NCNERR activities and funding sources. Reserve materials, the new logo, and website reference the appropriate funding source and include the entire Reserve title, "North Carolina Coastal Reserve and National Estuarine Research Reserve," to better recognize the NCNERR part of the program.

Additional steps the DCM and Reserve will pursue to increase state fiscal support to more appropriately match the 315 award, more appropriately use 315 funds, and reduce the Reserve's reliance on waived indirect from UNCW include:

- Continue to support budget requests to DENR for state funding of the Research Coordinator and Northern Sites Manager positions.
- Continue to support budget requests to DENR for creation and state funding of the Central Sites Manager position.
- Seek increased state fiscal support through capital improvement requests for UNCW, CCFHR, and Town of Kitty Hawk facilities and lease expenses.
- Develop and support budget requests to DENR for state funding of the Education Coordinator position. The position was historically funded with state appropriations

until fiscal year 2002-2003 when budget cuts forced the position to be funded by the 315 grant.

- Investigate creating a DCM position for the UNCW contract Stewardship Coordinator position and funding 50% of the position with state funds to provide state funding for the two state sites this position manages.
- Work to develop management tiers for state sites with recommended budget and staffing plans for implementation. Management of the state sites will be adjusted accordingly based on current state budget and staffing levels. State funding will be sought to implement management at the appropriate levels.