



Coastal States Organization *Memo to Members: Dues Task Force Report*

TO: CSO Members
FR: Braxton Davis, Chair
Sarah Cooksey, Treasurer
DA: September 15, 2011
RE: Dues Task Force Report

In response to questions raised during the 2010 CSO Annual Membership Meeting, a small task force was created to provide a clearer understanding of the dues structure for CSO member states and territories. Since May 2011, the task force conducted an analysis of the CSO dues structure and, in the attached report, provides recommendations for future consideration by the CSO Financial Committee. The Task Force was made up of Sarah Cooksey, Treasurer (DE), Brian Lynn (WA), Brian Thompson (CT), and John Watkins (OH). Kristen Fletcher (CSO Executive Director) provided staff support.

This report is for information purposes only. There is not currently an effort to restructure CSO dues. However, this information is valuable for several purposes:

- In helping a CSO delegates explain the state's dues to fiscal officers;
- For consideration by the CSO Financial Committee or dues work group in the future; and
- For use in future CSO financial reviews and audits.

We ask that you review this document for discussion at the October meeting. In particular, we would like your input on the following questions:

- (1) Is additional financial or historical information needed, or do you have additional information that would help improve the report?
- (2) Do you have additional dues or financial recommendations for consideration in the future?

We appreciate your attention to this and look forward to discussing this further at the CSO Fall meeting. If you will not be attending the meeting and have comments or questions, please feel free to contact us.

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Looking forward to seeing you in Maine!



Coastal States Organization

Dues Task Force Report – September 15, 2011

Background

In order to provide a clearer understanding of the dues structure for Coastal States Organization (CSO) members, CSO created a Dues Task Force in May 2011. The group was tasked with performing an analysis of the CSO dues structure and providing a rationale of the formula used to determine CSO dues. The group was also tasked with drafting recommendations for future use by the CSO Financial Committee.

The Task Force was made up of Sarah Cooksey, Treasurer (DE), Brian Lynn (WA), Brian Thompson (CT), and John Watkins (OH). Kristen Fletcher (CSO Executive Director) provided staff support. The group held four conference calls between May and August and drafted a report for review by the CSO Executive Committee on its August monthly conference call. The Executive Committee offered edits and conducted its final review on its September monthly conference call.

Current Dues Structure

The complete history of the current dues structure is not perfectly clear. Dues were set at some point early in the development of CSO using similar criteria as with CZMA funding (i.e. shoreline miles and population). Since then, dues assessments have evolved for a variety of reasons as a result of across-the-board changes (i.e. agreed-upon dues increases) as well as changes to individual state assessments (i.e. addition of new states or changes in single-state assessments). In addition, when the cap on CZMA funds was put in place, alterations to the dues calculations were made for states that were not receiving additional federal funds. After analyzing the current dues structure and reviewing the available history, the task force has determined that there is currently not a formula that explicitly determines each state's dues.

While dues shares generally align with CZMA funding shares for states (See Table 1), there are a number of exceptions. Over the course of the years, some states needed to reduce their dues payments due to budget challenges or have been unable to pay. In other situations, states offered to raise their dues for a short term need and then never reverted to their original assessed level. Finally, while most coastal and ocean states are paying members of CSO, a few states have chosen to not participate.

There are a few specific issues that should be noted.

1. Alaska is in a unique position as a member of CSO that is not participating in the National Coastal Management Program and therefore not receiving federal CZMA

funding. If they continue to stay on as a CSO member but are not part of the national CZM program, their assessed dues may need to be re-evaluated.

2. New York has not participated in CSO as an active member since the early 1990s. While CSO is hopeful that NY will reengage as an active member, this lack of participation affects the overall dues picture.
3. The Rhode Island Coastal Resources Management Council has traditionally paid Ex Officio Dues which are less than its assessed state dues.
4. Texas' dues are less than other states of similar shoreline/population because, up until this year, it was paying dues for both the state as a member and the General Lands Office as an Ex-Officio Member (similar to the California state agencies that pay as ex-officio members). This year, because the Texas GLO now serves as the Delegate from Texas, the Texas GLO opted to not continue to participate as an Ex-Officio member. CSO did not invoice for the Ex-Officio dues for 2011.

Finally, there are some state entities and coastal/marine associations that serve as ex-officio members of CSO and pay dues. Dues levels for these organizations were established early on and have also evolved over time. Table 2 shows Ex-Officio members, assessed dues, and payment history for the past 3 years.

Analysis of Dues Options for Future Consideration by CSO Financial Committee

Aligning CSO dues with the CZMA Funding Formula

The Dues Task Force agreed that it was important to compare the current CSO assessed dues for each state with the amount of federal CZM funds they receive. The federal formula bases CZM funding allotments on population and miles of shoreline and includes an overall per-state cap of \$2 million (CZM 306 funds). If CSO wants to consider a change in its dues structure and wants to use a standard formula, aligning dues with the current CZM formula is one approach.

Table 1 compares CSO dues to 2010 CZM funding levels. The first two columns show the current assessed CSO dues and the percentage of the overall assessed dues. For example, Alabama's dues for 2011 were \$9,905 which is 2.15% of the total assessed dues for CSO. The third column shows the percentage of the overall CZM funds (306 and 309) states receive each year and the fourth column shows what the states' CSO dues would be if that same CZM share was applied. For example, Alabama received 2.10% of the total CZM funds in 2010. Using their CZM funding share of 2.10%, their dues would be \$9,666. Finally, the fifth and sixth columns show the variance in dollars and percent between the current assessed CSO dues and the dues states would pay if the CZMA share was used. For example, the table shows that Alabama pays 2.15 % of the overall CSO dues while receiving only 2.10% of the CZM funds. This variance (.05%) means that Alabama is paying \$239 more in dues than they would if dues were tied to the CZMA funding percentages.

Realigning CSO dues to the CZMA formula would change the assessed dues for every state: 18 states would pay more than they currently do and 16 would pay less. The changes for states would range from \$18 to \$4,442/year.

Other Formulas

The Task Force discussed some other approaches for apportioning dues to states but did not fully analyze these options. (The Task Force can do this if requested). In particular, two other options were proposed:

1. “Flat Share”

Using this approach, every state would pay the same share of dues. The rationale for this approach is that all states receive the same benefits from CSO, despite the amount of dues they pay, and that paying a flat share is a way to align with that idea. This method would result in much more significant changes in assessed dues, with states paying on average ~\$3300 more or less than what they are paying now. In particular, small states would generally pay more using this approach.

2. “Base Plus”

Using this approach, every state would pay some flat amount as their base payment (e.g. \$6,000 per state) and then pay a formula-derived share (like CZMA funding) to generate the remaining funds needed. Similar to the Flat Share approach, the rationale for this approach is the idea that every state receives some core benefits from CSO. Like the flat share method, this approach would be hardest on the smaller states.

Adjust the Bottom Line to Reflect True Costs

The CSO budget is based on revenues from two primary sources: membership dues and grants (including cooperative agreements with NOAA). With the uncertainty of grants as a stable funding source, the Dues Task Force agreed that it would be good to look at what the dues would be if grant funds weren't available and the organization was dependent entirely on membership dues.

For this analysis, the Task Force assumed a bottom line budget of \$600,000 (instead of the ~\$460,000 currently) and used the CZMA Funding formula as the basis for assessing dues. Table 3 (orange columns 5 and 6) shows what the state dues would look like in order to meet this higher budget target.

Additionally, the red columns (7 and 8) reflect the current reality that some states will most likely not be able to pay in the coming year (see notes at bottom of Table 3). Those columns spread the remaining costs to the paying states.

Clearly, this approach would result in significant increases in state dues.

Create Option to Pay More Dues

The Task Force recognized that, in some situations, some states may be able to pay more than their assessed dues. This could happen at the normal time of dues payment, or could surface as an option later (e.g. at the close of the fiscal year). There have been times in the history of CSO where states have contributed additional funds to fill a budget need. Some states have also contributed to the Coastal States Stewardship Foundation in the past.

In these circumstances, some states need to have their contribution directed to some particular project or outcome. In other situations, a state may simply be able to increase its dues payment without additional documentation or justification. It may be important to determine whether this is a onetime event only, or a permanent increase for that state.

Creating a mechanism for accepting additional dues from willing states is one way to offset underpayment by other states and to meet organization objectives.

Status Quo

Changing the dues structure of a member organization can be difficult, especially when some members are asked to pay more in challenging budget times. Keeping the status quo is an option the Finance Committee can consider, especially if dues levels are not a significant concern for members (see recommendation to seek input on dues structure from CSO members)

Recommendations to the CSO Finance Committee

1. Solicit feedback from CSO membership on dues restructuring, specifically:
 - a. Do they want to restructure based on a prescribed formula?
 - b. If so, do they support using the CZMA formula or something else?
2. Develop strategies for bringing non-paying states into the fold (e.g. phased in dues)
3. Reevaluate for ex-officio membership and ex-officio dues
 - a. determine whether dues restructuring is needed
 - b. consider invitation of additional ex-officio members
4. Consider creating a “Pay More” option to offset budget shortfalls.