

We have been carefully tracking developments regarding current political events at the federal level and speculation on impacts of federal funding proposals on our organization and its work. We are no doubt deeply concerned with the generally anti-environment tone and rhetoric of the new administration and the specific proposals made in the President’s budget to eliminate or dramatically reduce funding for the Chesapeake Bay Program and a wide range of other EPA and federal programs that provide support to states and others to implement projects that aim to restore or protect water, air, and land.

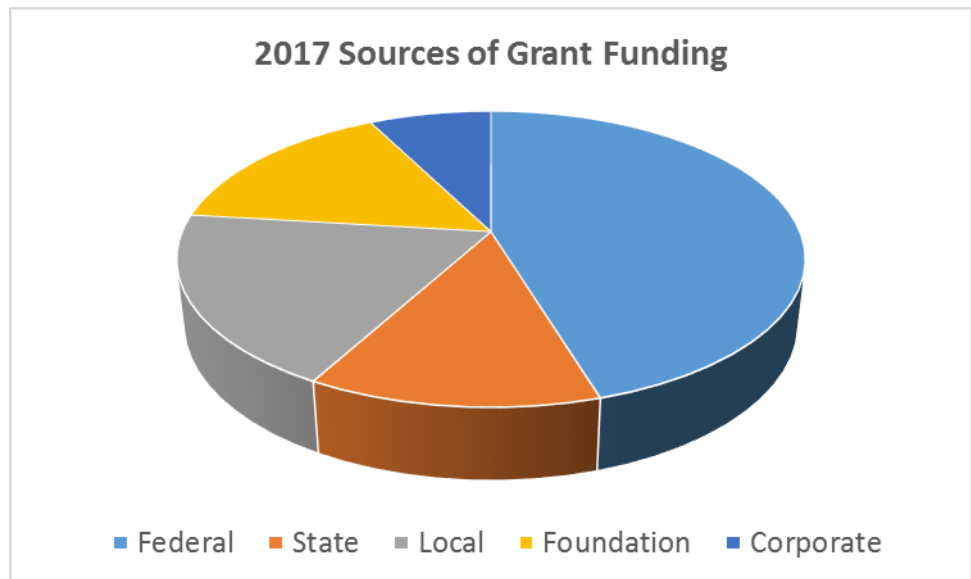
If enacted by Congress, these proposals would be paralyzing for the momentum of the Bay watershed cleanup effort and would both directly and indirectly impact the Alliance for the Chesapeake Bay.

**Current Financial Status**

The Alliance’s \$5 million + current annual budget relies heavily on grants. These grants originate from federal, state, and local government sources as well as private foundations, corporate support, and private donors and fundraising events (like the Taste). Unlike some NGO’s, the Alliance currently receives only about 5-10% of its annual budget in private unrestricted donations (the majority through the Taste of the Chesapeake). Increasing the percentage of unrestricted funding as a part of our total annual budget is our primary financial challenge and our most serious Achilles heel in terms of organizational growth.

From a historical standpoint, the Alliance has been continually working to better diversify grant sources and reduce the overall percentage of federal funding. For example, in 2004, Alliance grants were approximately 85% from federal sources. At the beginning of 2017, the Alliance’s grant income distribution was as follows:

- 45.3% - Federal
- 12.7% - State
- 18.9% - Local
- 15.6% - Foundation
- 7.5% - Corporate & Private



Of our total federal funding 80% is received directly from the EPA as a part of 3 six year contracts in support of the Chesapeake Bay Program. The remainder is from the USDA. Of the Foundation funding sources approximately 55% originate from the NFWF Chesapeake Stewardship Fund of which approximately half of the Alliance grants are funded with money that originates from EPA as support of NFWF.

## **Future Planning**

Congress must still act on the Budget. As such, great uncertainty still exists in which areas of funding may be most impacted. However, it is likely that all sources of federal funding are likely to see some reductions, and EPA in particular, is a target for cuts. While most state and local grant sources are not dependent directly on federal funds, the potential also exists for a “cascade effect” or indirect impact if state and local funding in other areas are cut and states must reassess priorities and investments related to the environment. These precise impacts are very hard to accurately predict at this time.

We have met with the EPA grants shop on each of our existing contracts. We were able to work with them to “prefund” 2017 from FY 2016 \$ therefore better ensuring stability until summer of 2018. If Congress passes a continuing resolution for 2017 (which is quite likely) then we may be able to buy some additional time.

The Alliance Board approved a more comprehensive and diverse fundraising strategy at its January Meeting but this alone would not come close to compensating for a complete loss of EPA or federal support. The Alliance Financial Management Team have begun having conversations about options for stretching or reallocating existing funding where possible. The Alliance Management Team has a scheduled meeting on April 6<sup>th</sup> to discuss in greater detail our near term strategies to bolster programs and conduct outreach to non-federal sources of funding.

Right now, discussion of more specific contingency plans are being formulated but the significance, timing and ultimate outcomes are still a bit too speculative to be meaningful.

### ***Options include:***

1. Up-to-date billing on existing grants
2. Optimize short-term federal funding sources
3. More aggressive outreach to non-federal funding sources
4. Elimination of programs, repositioning and delay or adjustment of new actions
5. Not filling positions and/or reducing workforce
6. More aggressive partnerships and shared impact with other groups
7. Cost cutting/Expense reduction/Private fundraising