Money for Nothing:
Leveraging Donated Property to Satisfy Federal Grant Match Requirements.

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About the Author

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About the Virginia Coastal Policy Center

The Virginia Coastal Policy Center (VCPC) at the College of William & Mary Law School provides science-based legal and policy analysis of ecological issues affecting the state’s coastal resources, providing education and advice to a host of Virginia’s decision-makers, from government officials and legal scholars to non-profit and business leaders.

With two nationally prominent science partners – the Virginia Institute of Marine Science, one of the largest marine research and education centers in the United States, and Virginia Sea Grant, a nationally recognized broker of scientific information – VCPC works with scientists, local and state political figures, community leaders, the military, and others to integrate the latest science with legal and policy analysis to solve coastal resource management issues. VCPC activities are inherently interdisciplinary, drawing on scientific, economic, public policy, sociological, and other expertise from within the College and across the country. With access to internationally recognized scientists at VIMS, to Sea Grant’s national network of legal and science scholars, and to elected and appointed officials across the nation, VCPC engages in a host of information exchanges and collaborative partnerships.

VCPC grounds its pedagogical goals in the law school’s philosophy of the citizen lawyer. VCPC students’ highly diverse interactions beyond the borders of the legal community provide the framework for their efforts in solving the complex coastal resource management issues that currently face Virginia and the nation. Whether it is working to understand the underlying realities of local zoning policies or attempting to identify and reconcile the concerns of multiple stakeholders, VCPC students experience the breadth of environmental lawyering while gaining skills that will serve them well regardless of the legal career they pursue upon graduation.

VCPC is especially grateful to the Virginia Sea Grant, for providing generous funding to support this project.
Funding is one of the greatest challenges facing state and local governments, especially for conservation projects. Many federal grants require “match” funding, often up to 50% of the project cost. In particular, local budgets are stretched amongst crucial underfunded obligations, leaving little room for conservation. Grant applicants may feel trapped between taking on additional liabilities and passing on federal funding. In Virginia, ingenuitive regional and state government officials are pioneering a third way: leveraging real property assets to satisfy match requirements.

In 2014, the Middle Peninsula Chesapeake Bay Public Access Authority (“MPCBPAAA or Public Access Authority”) applied the land book value of a private waterfront land donation for public use as match against a related National Oceanic and Atmospheric Administration (NOAA) Virginia Coastal Zone Management Program (“Coastal Program”) grant by placing a specific deed-encumbrance on the gifted property for uses recognized as consistent with the purposes of the National Coastal Zone Management Program. This encumbrance provided a nexus between the donated land and the conservation goals of the Coastal Program. Cooperation with relevant state and federal authorities was crucial to ensure that the value of the donated lands would satisfy match funding requirements.

The grant match principles employed by the Public Access Authority have allowed the Commonwealth to realize the full value of land donations intended for conservation. This report (I) explains grant match funding generally and the use of in-kind property transfers as match; (II) analyzes the legal authority and requirements for using in-kind match for grants issued under Section 306A of the Coastal Program; and (III) outlines a case study in Virginia where innovative state and local authorities have leveraged existing assets to generate match for conservation programs. While this report focuses on matching funds for 306A Coastal Program grants, these principles could be applied to other federal grant programs. By formalizing the principles discussed herein, state and local authorities can realize the full value of donations for conservation.

1. In-Kind ("Soft") Match, Generally

Many states have reduced funding for conservation, passing this responsibility onto local and regional authorities. While prospective grant recipients may not have sufficient funds to meet match requirements, federal grant programs often permit “soft match” in lieu of cash. Prospective recipients may apply the value of “in-kind” donations of services and goods (including land and improvements) as match for a grant project. To determine whether and how a particular federal program allows in-kind match, one can look to the specific statutory or regulatory provisions governing those programs.1

For an in-kind donation to apply as match, federal agencies often require some nexus between the donation and the specific grant project or overall program. Traditionally, in-kind match involves a direct contribution to a particular project by the grant recipient or some related third party. For example, if a local government donates building materials to construct a pier that is being funded by a federal grant, that donation could be counted as match, thereby reducing that locality’s required cash contribution by the value of the donated materials. If the cost of those materials exceeds the value of the federal grant, the locality would be relieved of any obligation to contribute match. In this latter scenario, the locality has generated “overmatch” that can be applied to other projects under the same grant.
The plain language of many grant regulations does not require the granting agency to limit this “nexus” to such a narrow category of expenditures. In fact, a broader view of the nexus and in-kind match can further state and federal conservation goals, while easing burdens on cash strapped localities. For example, many states encourage land conservation through donation or easement. In such cases, the recipient of the property can leverage that donation’s value to match federal grants for conservation, as long as the donation furthers public access or preservation goals related to the respective federal grant program.

In Virginia, state and local authorities have begun to record the value of coastal land donated for public access and conservation purposes in order to satisfy match requirements under Section 306 of the National Coastal Zone Management Program (“Coastal Program”). The following process has allowed the Public Access Authority here to generate match value from the receipt of conservation lands:

• The open federal grant is related to conservation. This is an essential prerequisite to satisfy the nexus requirement.

• A third party seeking to donate land (a private citizen or, in the Public Access Authority case, a non-profit conservation organization) transfers coastal land to the regional public access authority.

• At closing, the grant recipient records the deed with an encumbrance: (1) reserving the property for public access and conservation, and (2) tying that property transfer to a related federal (Coastal Program) grant.

• The state agency charged with implementing the grant program applies the assessed or appraised value of the property as in-kind match for that grant.

In short, the process requires an open federal grant, a property donation to a public entity, and a nexus between the donated property and the grant. In the Public Access Authority case, the donated property (coastal land intended for conservation) directly furthers the conservation and public access goals of the Coastal Program, satisfying this nexus requirement.

Because the grant in question is part of an annualized block grant with several underlying projects (or “tasks”), any additional overmatch can be applied to those projects as needed. Note that the Public Access Authority does not receive anything of value in exchange for the overmatch; the disbursement of any “overmatch” is purely under the discretion of the state agency charged with implementing the grant.

II. In-Kind Match Funding for the Coastal Program

Rick Pruetz and The National Coastal Zone Management Program is a voluntary partnership between the federal government and participating coastal and Great Lakes states to reduce nonpoint source pollution and ensure the protection, restoration, and responsible development of shorelines and other coastal resources. Participating states implement the CZMA through Coastal and Estuarian Land Conservation Programs (“State Coastal Programs”). In Virginia, the Department of Environmental Quality implements the Coastal Program.

Section 306A of the CZMA provides funding for conservation and public access projects. The state Coastal Program must match all 306A grants on a 1:1 basis. However,
nothing in the CZMA, attendant regulations, or relevant guidance requires each individual grant task to be matched 1:1, as long as the recipient state Coastal Program matches the entire block grant at the end of each fiscal year. Each state has significant flexibility to define its conservation strategies and priorities through its NOAA approved Coastal Program Plan. NOAA's Coastal Program Director has issued a 306A Guidance document to help state Coastal Programs identify and comply with relevant federal requirements. The Coastal Program Director must certify that each project task meets these guidelines by signing the relevant 306A Project Checklist. Upon certification, the project is approved for federal funding.

NOAA has explicitly authorized the use of in-kind match for 306A projects. The in-kind acquisition must be sufficiently related to the program or grant (i.e., the donation must have some nexus to the purposes of 306A). Details about 306A funding requirements are explained below.

A. In-Kind Match Funding Permitted for 306A Projects

State Coastal Programs may use any combination of eligible state or local funds and in-kind donations as match. NOAA Coastal Program grant match principles are governed by the Office of Management and Budget (OMB) uniform grant regulation and guidance, codified at 2 C.F.R. pt. 200. Section 200.306 governs costs sharing and match principles.

The OMB Uniform Guidance defines third party, in-kind contributions as “the value of non-cash contributions (i.e., property or services) that — (a) benefit a federally assisted project or program and (b) are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.” This permits the match value of related, in-kind contributions upon approval from the relevant federal authority (in the Public Access Authority case, the Coastal Program Director) and the state Coastal Program (as the original grant recipient and party charged with implementing the grant program). Any portion of donated property that is acquired with federal funds cannot be counted as match. Match value is the lesser of either (1) the value recorded in the donor’s accounting records at donation or (2) the current fair market value at the time that the grant is made.

In-kind contributions qualify as match if they benefit a federally assisted project or program, not just one particular grant task. In the Public Access Authority case, the value of property transfers donated to the Public Access Authority satisfied the match requirement for an entirely separate 306A land acquisition project under the same 306A conservation grant. The Virginia Coastal Program closed both tasks (first, the donation and encumbrance of land, and second, the acquisition project) within the same grant period and under the same grant number to take account of the overmatch and ensure the recorded deeds of the donated properties were tied to the relevant grant number. The value of the donated property was determined by the assessed tax value of the property.

B. Nexus—Eligible In-Kind Match

OMB regulations authorize in-kind match only if the donated goods or services are sufficiently related to the purposes of the specific project or program. In order to establish the “nexus” between the program and the match, grant recipients should
look to the goals of both Section 306A and that state’s implementation plan for the Coastal Program.

CZMA §306A allocates federal funds to the states for conservation, restoration, and public access projects. Eligible projects include:

• purchasing or conserving eligible coastal land;
• restoring coastal resources (e.g., wetlands and shellfish habitat);
• rehabilitating certain urban waterfronts and ports; and
• providing public access to beaches and other coastal areas.\(^{22}\)

Priority goals under Virginia’s Coastal Program Plan include protecting and restoring coastal resources and habitats, reducing losses of coastal habitat, and improving public access to shorelines and coastal waters.\(^{23}\) The Virginia Coastal Plan also establishes conservation priorities for several categories of coastal lands, including:

• designated CZM areas;
• lands connected to Chesapeake Bay National Estuarine Research Reserves;
• dunes and beaches;
• wetlands, riparian areas, and coastal forests that support water quality;
• habitats for aquatic, migratory, endangered, and threatened species;
• lands targeted for acquisition in local or regional conservation plans;
• public access and recreation areas; and
• coastlines vulnerable to sea level rise impacts.\(^{24}\)

In the case study below, several coastal properties were donated for public access to the waterfront and deed-encumbered for conservation. Such donations directly further the public access goals of the Coastal Program and the specific conservation values of the Virginia Coastal Program Plan. Therefore, these property transfers satisfy the nexus requirement for in-kind match under Section 306A.

III. Virginia Case Study—Property Donated to the Middle Peninsula Planning District Commission Used as Match for a Separate 306A Land Acquisition

In Virginia, the Middle Peninsula Chesapeake Bay Public Access Authority (a political subdivision of the Commonwealth) assessed the value of donated land as match for the Virginia Coastal Program’s 306A grant program. This generated what is known as “overmatch”, or match value in excess of the 1:1 requirement for that particular project. The Virginia Coastal Program then applied this overmatch to another 306A grant project, or task, in need of additional matching funds. In order to tie this overmatch to the task
seeking funds, the Public Access Authority recorded the deeds with an encumbrance that: (1) restricted the use of the property for preservation and public access, (2) certified that the property furthered the goals of the Coastal Program and Section 306A, and (3) explicitly tied the donation to the specific 306A grant number. Both the overmatch task (Task 53) and the task seeking match (Task 10) fell within the same 306A grant cycle, FY2014. Note that any overmatch generated is distributed by the Virginia Coastal Program; the Public Access Authority had no power to apply the overmatch to a preferred project or task.

A formal, institutional pathway for implementing these in-kind overmatch principles would increase flexibility and transparency. For example, allowing the creation of a “match only” task under the grant would simplify the property recordation process and prevent the co-mingling of unrelated project funds. Further, a “lookback” agreement with the relevant federal agencies would allow any unused overmatch to rollover from prior fiscal years. Such adjustments could facilitate transactions that generate match, ensuring a more reliable stream of funding for state Coastal Programs and project sponsors.

A. Task 53 (FY14): Captain Sinclair Pier Project—Overmatch
Task 53 was a 306A grant project sponsored by the Middle Peninsula Planning District Commission (MPPDC) and the Public Access Authority to construct a public pier and install native plants around public access property. The 155 x 8 foot pier facilitates public access to the Severn River in Gloucester County, Virginia on Public Access Authority property, while the native plantings helped to enhance the pier construction and natural environment around the project site. The total federal grant award for the project was $39,977.

In order to satisfy the match requirement, Task 53 also provided for the closing and recordation of two properties in Mathews County, Virginia entirely unrelated to Task 53: Bethel Beach and Winter Harbor. A third party conservation organization had previously approached the Public Access Authority with an offer to donate those two properties. Upon transfer, these privately-held conservation lands were opened for public access, furthering 306A conservation and access priorities. The deed encumbrance was essential to permanently bind these properties for conservation and public access purposes. First, it established the nexus between the property donation and the purposes of CZMA § 306A. Second, it tied the donation to the FY14 306A grant contract number. Both the Virginia Coastal Program and the NOAA Coastal Program Director signed off on the grant project, authorizing the federal grant and associated overmatch. This process allowed the Public Access Authority to record an additional match value of $173,600 to be applied to projects under Virginia’s FY14 306A grant. After matching the remaining requirement from Task 53, the property donations generated $147,723 in overmatch. Lewie Lawrence, Executive Director of the MPPDC, described the overmatch as being directed into a “match bucket”, which other eligible projects funded by that year’s 306A grant could use to satisfy match requirements. Distribution of this overmatch was controlled by the 306A parent grant recipient and implementing agency, the Virginia Coastal Program.

B. Task 10 (FY14): Beautiful Woods Acquisition—Applying the “Overmatch” from Task 53 to Compensate for Match Shortfall
Task 10 provided 306A funding to the Virginia Department of Conservation and
Recreation (“DCR”) for the fee simple purchase of 1.145 acres of woodlands for conservation. Id. This acquisition expanded the Pickett’s Harbor Natural Area Preserve in Northampton County, Virginia. This acquisition was eligible for 306A funding because it was listed as a protection priority for the Virginia Coastal Program. DCR originally requested $226,176 under Task 10 for land acquisition and an economic study regarding the Eastern Shore. However, DCR and the Virginia Coastal Program reprogrammed the grant request, using additional grant funding from FY12 to lower the total FY14 Task 10 federal grant request to $117,351. The overmatch from Task 53 was used to satisfy this match requirement.

IV. Conclusion

While federal 306A funding is an invaluable resource for conservation and public access projects, match requirements can prove a significant hurdle to potential project sponsors. However, many states and localities have substantial non-cash assets that they can leverage as match. The institutional pathway described above accounts for donative property transfers as in-kind match for projects within the same block grant program. A successful “match bucket” requires cooperation among the federal agency charged with implementing a particular grant program, the state grant recipient and administrator, and the project sponsor. This framework is only the beginning and could be further streamlined with two adjustments. First, a “match only” task would simplify the property recordation process and prevent the co-mingling of unrelated project funds. Second, state grant administrators could negotiate a “lookback” provision with the relevant federal agencies to allow unused overmatch to rollover from prior fiscal years. This would ensure a more reliable stream of match funding for the state Coastal Programs. The grant match principles discussed in this report could allow state and local entities to realize the full value of conservation lands and leverage federal dollars.
References


In the absence of agency specific law, or where that law is silent, state and local governments should determine general grant making principles pursuant to Office of Management and Budget (OMB) common rules, available in Circulars A-87 (regarding cost principles), A-102 (reg: administrative requirements), and A-133 (reg: audit requirements). See Office of Mgmt. & Budget, Grants Management, Grants Circular Attachment, https://www.whitehouse.gov/omb/grants_attach/, (last visited 29 July 2016).


4  See Virginia Exec. Order No. 35 (2014), Continuation of the Virginia Coastal Zone Management Program.

5  NOAA Off. for Coastal Mgmt., supra note 3.

6  CZMA, supra note 2, at § 306A(d).

7  Conversations with Lewie Lawrence, Executive Director, MPPDC (March 2, 2016) and Laura McKay, Virginia Coastal Program Manager (March 17, 2016); See also Appendix 1, Virginia 306A Project List and Budget (FY14), Grant No. NA14NOS4190141.


9  Id., at 11.


11  See 306A Guidance, supra note 9, at 11. Note that properly promulgated agency regulations within the bounds of that agency's statutory authority have the force of law and may not be waived on an ad hoc basis. GAO, Federal Appropriations Law, at 10—45.

12  Former Dept. of Commerce (NOAA’s parent agency) grant regulations located at 15 C.F.R. § 24 have been repealed and replaced by the OMB Uniform Guidance. 2 C.F.R. §1327.101. However, these new regulations do not materially differ from the prior regulations with respect to using donated property as in-kind match. 2 C.F.R. § 200.96; 306.


14  306 A Guidance, supra note 9, at 11; 2 C.F.R. § 200.306(b)(6). For example, the Public Access Authority (a political subdivision of the Commonwealth, and the local project sponsor) has acquired permission from the NOAA Coastal Program Director and Virginia Coastal Program. See Appendix 2.A., Task 53 signed 306A Checklist. Recall that a signed 306A checklist signifies that all elements of the project task have been approved. See supra, note 10 and accompanying text.

15  2 C.F.R. 200.306(b)(2).

16  Id., at (d).

17  In order to be eligible as match, the in-kind donation must (i) be “necessary and rea-
sonable to accomplish either project or program objectives, and (ii) be an “allowable cost” under Section 200, Subpart E. 2 C.F.R. § 200 306(b)(3-4).

See Part III of this report below for an explanation of this process.


2 C.F.R. § 200§306(b)(3-4). Match is valid if eligible as an allowable cost under the Cost Principles, available at Section 200.400 et seq. Id.

CZMA supra note 2, at § 306A(b).


Id., at 16-21.


Id., at Product #2.

Id., at Product #1.

Id., at VII; Appendix 1, 306A Project List (FY14). Final budget for the project was $227,677, accounting for the federal grant award, the match value of donated properties, and additional in-kind contributions valued at $14,100.


Encompassing two separate parcels: Tax Map # 36-14-3 (2.53 acres); #36-14-4 (2.52 acres). See Appendix 4.B.

"[Public Access Authority] offered as matching funds for the project the donation, recordation, and encumbrance of 4 separate private waterfront land donations. . . These properties were previously managed and protected for private conservation by a local 501(c)3 which needed to dissolve. Upon transfer to the [Public Access Authority], the lands became publicly held and available for new water access sites. Upon recordation of donated fee simple interest, the waterfront land pivoted from private land to new public trust resources.” Task 53 Final Report, at 3.

“The real property value of this [property—Tax Map #], determined and set by the Code of Virginia Title 58.1-3201 has been used as match for Federal financial assistance award NA14NOS4190141 through the Virginia Coastal Zone Management 306A Program. The land must be retained for conservation purposes and the purposes for which it was entered into the Virginia Coastal Zone Management 306A program. The Middle Peninsula Chesapeake Bay Public Access Authority shall not dispose of, encumber its title or other interest in this property, or convert it to other uses without notifying NOAA or its successor agencies. The Middle Peninsula Chesapeake Bay Public Access Authority is responsible for monitoring and managing of the property and shall not dispose of the property or modify the terms without notifying NOAA or its successor agencies.” Task 53 Final Report, at 10. See Appendix 4 for the deed-specific language.

“The land must be retained for conservation purposes and the purposes for which it was entered into the Virginia Coastal Zone Management 306A program.” See Part II.B. of this report for a list of permissible purposes under 306A and Virginia’s Coastal Program (including public access).

Grant No. NA14NOS4190141.


Appendix 3.A.1., Task 53 Scope of Work, at VI. Project sponsors also provided $14,100 in match from other sources, for a total match value of $187,700. Id.; Appendix 1, 306A Project List (FY14).

The total match of $187,700 minus the $39,977 match requirement for Task 53 equals $147,723 in overmatch.

The FY14 funds were used to finance the purchase of 39.6% of the fee simple interest. Funds from FY12 Task 10.02 (Grant No. NA12NOS4190168) and FY13 Task 10 (Grant No. NA13NOS4190135) will be used to acquire the remaining interest in Lot 2. See Ap-
Appendix 3.B.1., Task 10 Scope of Work, at III and Exhibit A.

Currently owned by the DCR. Id.

Id.

See Appendix 1, 306A Project List (FY14), at Task 10; Appendix 5, Correspondence with April Bahen, Grants Coordinator, Virginia Coastal Program (May 2, 2016).

Appendix 3.B.1., Task 10 Scope of Work, at IV (showing a final project budget of $117,351); See also Appendix 5, Correspondence with April Bahen. The discrepancy between the 306A Project List and the actual project budget is explained in the Appendices below. Compare Appendix 1 with Appendices 2.B.1 and 2.B.2.
Appendix 1—Virginia 306A Project List and Budget (FY14), Grant No. NA14NOS4190141

Appendix 2—306A Checklists, Grant No. NA14NOS4190141 (FY14), Tasks 53 and 10
2.A. Task 53 Signed Checklist
2.B.1. Task 10 Signed Checklist
This signed 306A checklist memorializes NOAA certification of Task 10. However, the Virginia Coastal Program reprogrammed the grant from the $149,581 noted here to $117,351. This amended grant amount is noted in the Amended Task 10 Checklist, Appendix 2.B.2. NOAA never resigned the checklist. However, this is the final grant amount for Task 10. See Appendix 5, Correspondence with April Bahen, Grants Coordinator, Virginia Coastal Program (May 2, 2016).
2.B.2. Task 10 Amended Checklist (unsigned by NOAA)
See supra, Appendix 2.B.1. for the signed NOAA Checklist, memorializing federal certification of FY14 Task 10. The grant amount listed herein—$117,351—is the final federal grant request.

Appendix 3—Virginia 306A Project Documentation, Grant No. NA14NOS4190141 (FY14)
3.A.1—Task 53 Scope of Work
3.A.2—Task 53 Final Report
3.B.1—Task 10 Scope of Work
3.B.2—Task 10 Final Report

Appendix 4—Deeds of Match Properties, Task 53 (FY14)
4.A—Bethel Beach Deed
Tax Map #31-A-116 B (18+ acres); #31-A-200 (3+ acres).
4.B—Winter Harbor Deed
Tax Map # 36-14-3 (2.53 acres); #36-14-4 (2.52 acres).

Appendix 5—Author Correspondence with Virginia Coastal Program (5/2/2016)
Email Correspondence with April Bahen, Grants Coordinator, Virginia Coastal Program (May 2, 2016).