



Conservation Trust for North Carolina

Reid Wilson, July 25, 2013

The state budget and tax reform legislation just passed by the NC General Assembly produced a mix of good news and discouraging news for land conservation. In the biennial budget, legislators provided roughly stable funding for the state's four conservation trust funds, and

merged two of the trust funds into one. However, the budget eliminates the longstanding dedicated revenue source (a small portion of the deed stamp tax) for conservation projects. And, the tax reform measure repeals the state income tax credit for landowners who donate land or easements for conservation purposes, as of December 31, 2013.

As a member of the **Land for Tomorrow** coalition steering committee, CTNC took a lead role in educating legislators about the health, economic, and environmental benefits of land conservation. Without Land for Tomorrow's concerted efforts, the budget bill in particular could have been significantly less positive for conservation. **We thank all of you who communicated with your legislators** as part of this effort. You made a big difference! Now, on to the details:

- Provides \$24 million to the **Clean Water Management Trust Fund (CWMTF)**, \$24 million to the **Parks and Recreation Trust Fund (PRTF)**, and \$3.4 million for the **Agricultural Development and Farmland Preservation Trust Fund (ADFPTF)** over the two-year budget cycle.
- Eliminates the dedicated source of revenue (a small portion of the deed stamp tax) for land conservation. This reliable source of funding helped create and expand numerous state parks and conserve other natural areas.
- The tax reform bill repeals the NC Conservation Tax Credit. North Carolina was the first state to create a conservation tax credit, and during its existence it helped conserve over 230,000 acres of forests, stream banks, farms, wetlands, wildlife habitat, and other natural areas. It leveraged considerable outside funding, protecting properties at a fraction of the cost of outright land purchases. **TAX CREDIT EXPIRES DECEMBER 31, 2013!**
- Streamlines the state's trust funds by merging the **Natural Heritage Trust Fund (NHTF)** into CWMTF, and increases the focus of the newly combined fund on land conservation projects.
- Removes operating costs for parks from PRTF and assigns those costs to the state's general fund, allowing PRTF to use more dollars to support its mission.
- Further increases funding available for conservation by allocating to the general fund the repayment of previously incurred debt by CWMTF, (former) NHTF, and PRTF.
- The tax reform measure preserves the complete deductibility for charitable contributions, which had been at risk.

The Clean Water Management Trust Fund:

- Receives \$10.4M (recurring) in FY 2013-2014, and \$13.7M (recurring) in FY 2014-2015. In last year's budget CWMTF was a non-recurring item.
- Receives the revenue from license plates that was going to NHTF, approx.. \$4M per year.
- CWMTF and NHTF combined annual debt service of \$6M is NOT paid out of the trust fund, and is instead paid out of the state's General Fund.
- The cap on land acquisition inserted in the House version of the budget has been removed, meaning all of the available funds can be used for acquisition.
- \$1.3M in the first year and \$300K in the second year is diverted for a "pilot project" exploring aeration technology on Jordan Lake.
- The following purposes from the NHTF have been added to the CWMTF purposes:
 - To provide buffers around military bases or for State matching funds for the Readiness and Environmental Protection Initiative, a federal funding initiative that provides funds for military buffers.
 - To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic systems and other natural areas to ensure their preservation and conservation for recreational, scientific, educational, cultural, and aesthetic purposes.
 - To acquire land that contributes to the development of a balanced State program of historic properties.
- Wastewater infrastructure projects, which have historically received about one-third of the available CWMTF money, have been removed from the CWMTF purposes, freeing up more money for the remaining functions (mostly land conservation & stream restoration).
- The existing 21 CWMTF trustees are all dismissed; a new board of 9 members is created.
- CWMTF, which has operated quasi-independently from the Department of Environment and Natural Resources, is now moved entirely within the department. Among other changes, this means the DENR Secretary, rather than the CWMTF board, will hire and fire the Executive Director.
- The Natural Heritage Program, which received no funding in the House budget, receives \$750,000 of the funds appropriated to the CWMTF.
- Non-profit conservation organizations are eligible to apply directly to CWMTF (which had been the case with CWMTF before, but had NOT been the case with NHTF, so now land trusts can apply directly for projects that fulfill NHTF functions within CWMTF).

The Parks and Recreation Trust Fund:

- Receives \$11M (recurring) in FY 2013-2014, and \$13M (recurring) in FY 2014-2015.
- PARTF's annual debt service of approximately \$7M will not be paid out of the trust fund, and is instead paid out of the state's General Fund.
- PARTF will no longer have to cover the \$6M in Parks operating expenses that was taken out of the trust fund in recent years.
- The PARTF board is reduced from 15 members to 9 members.

The Agricultural Development and Farmland Preservation Trust Fund:

- A non-recurring \$1M reduction is offset by an additional \$1M in TVA settlement funds, maintaining the current funding level at \$1.7M per year. The \$1M from TVA must be spent in mountain counties.

The Wildlife Resources Commission:

- General Fund support is reduced by \$4M recurring in both FY 2013-2014 and 2014-2015, plus an additional non-recurring reduction of \$2M in FY 2013-2014 (for a total of \$6M reduction in 2013-2014).