



North Carolina Land Conservation Financing Study

Executive Summary

Over the past decade (1990 – 2000), North Carolina was among the fastest growing states in the country, with the sixth highest numeric population change. The state added 1.4 million new residents (21 percent) during that time period. The state's population is expected to increase by 35 percent from 2000 to 2020 to nearly 11 million. The current rate of growth and housing development is consuming approximately 277 acres of open space a day, mostly in the state's seven largest metropolitan areas.

In January 2000, the North Carolina General Assembly voted overwhelmingly in support of a mandate to preserve one million acres by December 31, 2009. The Million Acre Plan would increase the percentage of preserved land from 8.8 percent to 12 percent, however no additional money was attached to the plan beyond existing funding. Governor Mike Easley directed the state Department of Environment and Natural Resources to undertake a planning process for protecting the state's land and water resources, called One North Carolina Naturally. A draft strategic plan was released in the spring of 2003.

To meet the land conservation objectives outlined in these plans, the Environmental Finance Center (EFC) at the University of North Carolina, Chapel Hill, estimates that approximately \$1.85 billion is needed, or \$256 million a year in new acquisition and management funds over the next seven years.¹ Currently, the state funds land conservation through four separate conservation trust funds. According to EFC data, the trust funds spent approximately \$50 million on conservation land acquisition in Fiscal Year 2002. While the current funding is significant, it is not sufficient to meet the state's land conservation goals. Furthermore, the sources of these funds are not permanently dedicated and therefore could be diverted to other programs in tight economic times.

North Carolina also has a good policy framework in place to support land conservation. The state's conservation tax credit program – one of the first established in the country – has become a model for many other states. North Carolina also participates in a wide array of federal land conservation programs, accessing significant funds and matching grants for land protection throughout the state. There are, however, a number of policy changes that could go a long way toward strengthening the state's framework and bringing additional funds to the table. Specifically, TPL recommends:

- In 2004
 - **Enabling certificates of participation.** State legislators should consider authorizing the issuance of certificates of participation (COPs) for land conservation. COPs authority would enable the conservation trust funds to issue debt in order to acquire and protect additional lands in the near-term while it is available and less expensive than in the future.
 - **Leverage State Revolving Loan Funds.** By using a portion of its Clean Water and Drinking Water state revolving loan funds (SRFs) as collateral for revenue bonds, the state could produce additional monies for low-interest loans for open space land acquisition.

¹ North Carolina State Agency Conservation Funding Needs Assessment, Environmental Finance Center at University of North Carolina, 4/16/2003.



- In 2004 - 2005
- **Strengthening local participation.** North Carolina counties and municipalities should be strong partners for the state, but they are currently not committing local funds for land conservation to any great extent. The state should enact enabling legislation authorizing additional local funding sources and provide greater incentives.
- Model programs from several other states including New Jersey, Florida and Massachusetts provide guidance for developing a framework that will create state incentives for local participation in land conservation funding. For example, in New Jersey a 1989 constitutional amendment allocates (for 30 years) \$98 million in annual sales tax revenues to open space. The state also authorized counties and municipalities to raise local funds by establishing voter-approved open space trust funds supported by dedicated property taxes. State incentives, in the form of 50 percent matching grants, are provided to local governments that adopt an open space tax. As of November 2003, all 21 counties and more than 200 municipalities in New Jersey have a dedicated open space tax in place, generating more than \$200 million in annual local funding.
- TPL presents a scenario whereby the 10 fastest-growing counties could generate between \$200 and \$300 million in local funds over ten years with a dedicated tax or issuance of general obligation bonds.
- **Increasing the state's funding commitment.** Recent budget shortfalls and rising indebtedness present significant challenges to pursuing additional state funds for land conservation. However, the state does have some additional debt capacity, and there exist a few other potential revenue sources that should be explored further.
- **Securing the state's funding investment.** Stable state funding fosters program development and long-term vision, and establishes the program as a reliable partner for federal and local conservation efforts. A portion of the state's current investment in land conservation is secured by a dedicated revenue stream, but other funds are subject to annual appropriation. In order to defend land conservation programs against potential budget cuts, the state should consider dedicating revenue to this purpose through a constitutional amendment. Since 1992, seven states have adopted constitutional amendments to secure funding for parks and land conservation.
- **Leveraging federal funds.** North Carolina should intensify its efforts to obtain a range of federal conservation dollars, including funding from the Farm and Ranch Land Protection Program, Forest Legacy, Land and Water Conservation Fund, and the North American Wetlands Conservation Act..

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If you would like a copy of the full *North Carolina Land Conservation Financing Study*, visit the Land for Tomorrow website: www.landfortomorrow.org or contact Kate Dixon, Director, Land for Tomorrow, 4705 University Drive, Suite 290, Durham, NC 27707; 919-403-8558x1009; kdixon@landfortomorrow.org