



Iowa General Assembly

2007 Committee Briefings

Legislative Services Agency – Legal Services Division

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SUSTAINABLE FUNDING FOR NATURAL RESOURCES STUDY COMMITTEE

Meeting Dates: [November 1 and 2, 2007](#) | [August 13, 2007](#)

Purpose. *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us>, or from the agency connected with the meeting or topic described.*

SUSTAINABLE FUNDING FOR NATURAL RESOURCES STUDY COMMITTEE

November 1 and 2, 2007

Co-chairperson: Senator Dick Dearden

Co-chairperson: Representative Paul Bell

Overview. During the first meeting day, the Committee considered presentations by Mr. Daniel Cohen, Director of the Buchanan County Conservation Board; Mr. Duane Sand, Special Projects Consultant for the Iowa Natural Heritage Foundation; Mr. Bill Northey, Secretary of Agriculture; Ms. Barbara Finch, a member of the Iowa Farm Bureau Federation; Mr. Dave Van Waus, a member of Pheasants Forever; Mr. Jon Kruse, a member of Ducks Unlimited; and Mr. Mark Ackelson, President of the Iowa Natural Heritage Foundation. All presenters, with the exception of Mr. Sand, serve as members of the Sustainable Natural Resource Funding Advisory Committee. During the second meeting day, the Committee considered presentations by a number of persons and made preliminary decisions about its next meeting. The presenters included Dr. Daniel Otto, Professor of Economics, Iowa State University (ISU); staff from the Fiscal Services Division of the Legislative Services Agency (LSA) including Mr. Jeff Robinson, Senior Legislative Analyst, Mr. Dave Reynolds, Senior Legislative Analyst, and Ms. Marcia Tannian, Fiscal Analyst; and officials from other states including State Representative Lucy Allen, Chairperson of the North Carolina House Environment and Natural Resources Committee; State Representative Jason Brown from Missouri; State Senator Dennis Frederickson from Minnesota; and Mr. Bob Garner, Chairperson, Michigan Natural Resources Trust Fund Board.

Buchanan County Conservation Board — Mr. Daniel Cohen. Mr. Cohen discussed potential funding sources to preserve or enhance natural resources defined to include (1) fish, wildlife, and natural areas, (2) soil and water, and (3) parks and trails. He presented polling data indicating that 77 percent of Iowans support dedicating additional public funding to programs that protect Iowa's land, water, and wildlife. He emphasized that any funding mechanism should be simple to administer, used to leverage additional moneys, and used to supplement existing sources of revenue. Mr. Cohen addressed a number of potential funding mechanisms required to annually raise all or part of \$150 million, noting that some could raise the entire amount while others would have to be combined with moneys from other sources. Mr. Cohen and Committee members discussed a number of funding mechanisms in detail, including the use of gaming revenues (such as capturing revenue based on admissions), increasing the state's sales tax by 3/8 of 1 cent (accomplished by a constitutional amendment), and the dedication of moneys generated from the state lottery. Mr. Cohen and Committee members also discussed the use of targeted tax credits, bonding, the real estate transfer tax, the water utility tax, a tax on outdoor recreational equipment, a sales tax on bottled water, and a biofuel severance tax. Committee members noted the need for public education and support.

Iowa National Heritage Foundation — Mr. Duane Sand. Mr. Sand discussed sustainable funding sources in other states, including the use of bonds, real estate transfer taxes, gaming or lottery revenues, severance taxes, sales tax revenues, voluntary revenues (e.g., conservation tax credits), and user fees. He explained that it is difficult to compare funding sources between states due to the unique nature of each state's situation (e.g., the amount of land owned or controlled by the federal government). He discussed the advantages associated with bonding which serves as a hedge against inflation and the growing popularity of tax credits targeted to protect privately held land. Mr. Sand emphasized the need to preserve and enhance natural resources in order to keep and attract young people in the state, and to structure

tax law toward employees rather than employers. He cautioned that moneys from any new funding source could be diverted by competing needs unless it is constitutionally protected. He suggested that the General Assembly reexamine Iowa's existing tax laws including tax increment financing, the agricultural land tax credit, and tax credits benefiting the biofuels industry.

Needs Panel. Secretary Northey, Ms. Finch, Mr. Van Waus, and Mr. Kruse discussed the proposed allocation of an additional annual \$150 million to preserve or enhance natural resources.

- **Secretary of Agriculture Northey.** Secretary Northey discussed the \$30 million proposed to support programs administered by the Department of Agriculture and Land Stewardship. According to Secretary Northey, the first \$15 million would be used to fund existing needs identified by soil and water conservation districts which are not being met by appropriations from the Environment First Fund (see Code section 8.57A), and the second \$15 million would be used to provide additional technical assistance to soil and water conservation districts, develop a stream bank and buffer stabilization project, initiate a program modeled after the federal Conservation Reserve Program, and establish a tillage management incentives program to assure adequate crop residue levels remain in areas impacted by demand for cellulosic ethanol production.
- **Iowa Farm Bureau — Ms. Barbara Finch.** Ms. Finch discussed the impact of natural resources on all other areas of government interest, the current underfunding of projects supported by the Resource Enhancement and Protection Fund (REAP) (see Code section 455A.18), the need to constitutionally protect any funding source, and Iowa's lack of matching moneys required to obtain a greater share of federal moneys to support important natural resource initiatives.
- **Pheasants Forever — Mr. Dave Van Waus.** Mr. Van Waus discussed the importance of county conservation boards, the need for increased natural resource funding to acquire additional public lands devoted to sporting and recreational activities and to create a better quality of life for Iowans including its young people, and how private organizations like Pheasants Forever are partnering with state and local governments to carry out important conservation projects.
- **Ducks Unlimited — Mr. Jon Kruse.** Mr. Kruse discussed the importance of lake restoration efforts, noted that the Department of Natural Resources has prioritized 35 lakes for restoration, and cited Storm Lake as an example of how a natural resources project can stimulate economic development through the successful collaboration of state government, local governments, community groups, and conservation organizations, including Ducks Unlimited.

Iowa Natural Heritage Foundation — Mr. Mark Ackelson. Mr. Ackelson discussed the recent increase in land values and the private acquisition of unique land to the detriment of preservation and public uses. He urged the Committee to recommend passage of H.F. 902 (currently referred to the House Ways and Means Committee) which provides that individuals and businesses could claim a tax credit for the charitable conveyance of real property for conservation, including the conveyance of title directly or by bargain sale or the transfer of permanent conservation easements to conservation organizations. Mr. Ackelson stressed the need to consider how biomass is used in ethanol production, and suggested incentives for improving crop management practices, developing dedicated biomass energy crops, improving manure management practices, increasing sustainable grass-based livestock production, and reducing greenhouse gas emissions.

Iowa State University — Dr. Daniel Otto. Dr. Otto discussed the preliminary results of a study conducted by ISU on behalf of the Committee which is to include a literature review and analysis and compilation of existing state and regional data concerning the economic impact, conservation benefits, and social benefits of natural resources in Iowa. Dr. Otto discussed the state's recreational amenities and current usage levels, estimated the economic value of these resources, and estimated the benefits of new investments in those amenities. Dr. Otto stated that Iowans are increasingly living in cities, although 88.7 percent of the state's land area is privately owned farmland. He discussed Iowa's natural resource inventory, including lakes, state parks, county parks, multiuse trails, state forests and preserves, wildlife management areas, and rivers. Dr. Otto stated that in 2006, of the total estimated annual economic impacts associated with recreational expenditures, approximately \$4.2 billion was attributed to sales. He discussed expenses and benefits associated with lake restoration efforts, noting the success of the Storm Lake restoration project.

Legislative Services Agency, Fiscal Services Division. Mr. Robinson discussed net tax revenues collected by the state from October 2006 to September 2007 (\$6.3 billion) and the local option sales tax remitted to the state and distributed to local governments for the 12 months ending September 2007 (\$681 million). According to Mr. Robinson, for the FY 2006-2007, the state's real estate transfer tax raised approximately \$21.7 million in state and county revenue and lottery transfers to the General Fund accounted for \$57 million. He estimated that a 3/8 cent increase in the sales tax rate would raise approximately \$146 million in annual revenue. Committee members discussed the possibility of imposing an excise tax on certain recreational equipment and products. Ms. Tannian and Mr. Reynolds discussed the Rebuild Iowa Infrastructure Fund or (RIIF) (see Code section 8.57). They commented that RIIF's revenue sources include interest and earnings from Iowa's "rainy day funds" (see Code section 8.55 establishing the Iowa Economic Emergency Fund and Code section 8.56 establishing the Cash Reserve Fund), a portion of the state wagering taxes (see Code section 99F.4A providing for taxes imposed upon gambling at pari-mutuel racetracks, and Code section 99F.10 imposing taxes upon persons licensed to conduct gambling activities), and interest and earnings on moneys deposited in RIIF and the Environment First Fund. They also discussed allocations from RIIF, including to the General Fund, the Vision Iowa Fund

(see Code section 12.72), the School Infrastructure Fund (see Code section 12.82), and direct expenditures from RIIF for projects. Ms. Tannian estimated that in FY 2008-2009 RIIF will have total revenues of \$251 million (80 percent from the wagering tax, 12 percent from interest, and 8 percent from RIIF's beginning balance). She also discussed other funds impacting RIIF, including the Vertical Infrastructure Fund (see Code section 8.57B), and the Restricted Capital Account of the Tobacco Settlement Trust Fund (see Code section 2E.12). During Committee discussion it was estimated that for the state to bond for \$400 million an annual revenue stream of \$30 million must be committed for 20 years.

Officials From Other States.

- **North Carolina.** Representative Allen explained that North Carolina has established four trust funds managed by four separate boards or advisory committees and supported by a number of funding mechanisms including general appropriations, a stamp tax on state deeds, and fees paid for issuance of personal license plates. The funds include the Clean Water Management Trust Fund for the remediation and preservation of surface water grants, the Agricultural Development and Farmland Preservation Trust Fund for the promotion of sustainable family farm agriculture, the Natural Heritage Trust Fund for the protection and promotion of the state's cultural and historic assets, and the Parks and Recreation Trust Fund for the expansion and improvement of state and local parks and public beach access. She also described a pending public referendum initiative calling for \$1 billion bond to support land and water conservation.
- **Missouri.** Representative Brown discussed Missouri's constitutional amendment which dedicates 1/8 of 1 cent in sales tax revenue for conservation purposes. According to Representative Brown, the Missouri system provides a comprehensive structure for the collection, use, and administration of constitutionally protected revenue (\$100 million collected in 2006), and for conservation efforts administered by the Missouri Department of Conservation including the acquisition of public land.
- **Minnesota.** Senator Frederickson described various revenue sources for natural resources funding in Minnesota, including a wildlife "checkoff" printed on income tax forms, the sale of specialty license plates, stamp fees imposed upon various hunting and fishing licenses, and a 6.5 percent tax on lottery tickets ("in-lieu-of-sales tax"). According to Senator Frederickson, the Minnesota Constitution establishes a permanent trust fund (supported by 40 percent of the net proceeds from the state lottery until 2025) for the protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources. He described the state's Legislative-Citizen Commission on Minnesota Resources which makes recommendations regarding natural resource projects. He also described a legislative proposal estimated to raise \$291 million by increasing the state sales tax by 3/8 of 1 cent and which would support habitat conservation, clean water initiatives, and cultural legacy projects.
- **Michigan.** Mr. Garner stated that Michigan's Constitution and Natural Resources and Environmental Protection Act authorizes the creation of the Michigan Natural Resources Trust Fund, administered by a board of trustees, for the acquisition of land or rights in lands for recreational uses or the protection of the land because of its environmental importance or scenic beauty, and for the development of public recreation facilities. According to Mr. Garner, the fund is supported by revenues from leases on state-owned land for the extraction of nonrenewable resources, with \$20-\$25 million available for allocation each year.

Committee Discussion. Committee members discussed the agenda for the next meeting date scheduled for December 11, 2007. Members discussed acquiring additional information regarding how \$150 million in proposed additional revenue would be allocated. Members discussed possible funding options including a proposed constitutional amendment dedicating 1/8 of 1 cent in sales tax revenue for natural resources, and the importance of interested organizations educating the public regarding the need for dedicated funding for natural resources.

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SUSTAINABLE FUNDING FOR NATURAL RESOURCES STUDY COMMITTEE

August 13, 2007

Co-chairperson: Senator Dick Dearden

Co-chairperson: Representative Paul Bell

Overview. The first meeting of the Sustainable Funding for Natural Resources Study Committee was held in Room 103 of the State Capitol Building. The Study Committee elected Senator Dearden and Representative Bell as permanent co-chairpersons and adopted rules.

Summary of Activities of the Sustainable Natural Resource Funding Advisory Committee. Mr. Richard Leopold, Director of the Department of Natural Resources and member of the Sustainable Natural Resource Funding Advisory Committee, discussed the origins of the advisory committee created in 2006 (2006 Iowa Acts, ch. 1185, § 43) with the requirement to report to the General Assembly by January 10, 2007. Mr. Leopold described the membership and work of the advisory committee, including information regarding efforts by surrounding states, an outline of a conservation funding initiative, an outline of the amount needed to accomplish the conservation funding initiative, and an analysis of the

willingness of Iowans to support a conservation funding initiative. According to Mr. Leopold, the resource initiative requires an annual commitment of \$150 million from a dedicated revenue source. He discussed a number of funding mechanisms including: (1) utilizing gambling and gaming revenues, (2) deducting a fractional percentage in the state retail sales tax, (3) dedicating a portion of lottery revenues, (4) creating tax incentives or tax credits for conservation practices, and (5) utilizing bonding.

Public Hearing and Survey. Mr. Leopold discussed a public hearing conducted via the Iowa Communications Network, in which 210 participants provided comments, and the results of a survey of 800 Iowans. Mr. Leopold noted that the survey indicated that most persons surveyed believed water quality is a priority and environmental conservation is a shared responsibility. He stated that most people supported dedicating additional public funds for conservation, are willing to pay \$10—\$25 annually in additional taxes, preferred using gambling and gaming revenues to support a conservation initiative, and supported conservation tax credits.

Mr. Leopold noted that public support for a natural resource initiative is critical, and that the process of establishing a constitutionally protected funding mechanism would take four years.

Recommendations. The Study Committee adopted two recommendations to be forwarded to the Legislative Council for action.

The first proposal is for the Study Committee to enter into an arrangement involving the Center for Agricultural and Rural Development (CARD) at Iowa State University to review literature and analyze and compile existing state and regional data concerning the economic impact, conservation benefits, and social benefits of natural resources in Iowa. The proposal requires CARD to prepare a 60—70 page report by the end of November 2007 for an estimated cost of \$30,000.

The second proposal is to invite a panel of legislative colleagues from other states with successful natural resource programs to share models for legislative action in Iowa. The panel could also include staff from the Council of State Governments, the National Conference of State Legislatures, and the National Caucus of Environmental Legislators. The Study Committee limited the expenditures for the panel to \$3,000.

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