



SUSTAINABLE NATURAL RESOURCE ADVISORY COMMITTEE
FUNDING MECHANISM SUMMARY

The follow is a summary of strategies and criteria used to determine sustainable funding sources, referred to as funding mechanisms.

Sustainable Natural Resource Funding Advisory Committee

DEFINING NATURAL RESOURCES

To help provide focus, the Sustainable Funding Advisory Committee determined a need to define "natural resources." The Committee chose to define natural resources as fitting into three categories:

- (1) Fish, Wildlife and Natural Areas
- (2) Soil and Water
- (3) Parks and Trails.

CONSIDERATION CRITERIA

The Committee identified parameters for evaluating the potential of sustainable funding sources, known as mechanisms. The Committee decided special consideration should be given to funding mechanisms that meet the following criteria:

1. All Iowans will benefit from sustainable funding for natural resources and the burden of funding should be a responsibility of all Iowans. (This criterion is supported by the public's responses in the "Willingness to Pay" survey.)
2. The funding source should have statewide appeal and be politically viable.
3. The source of funds should be easy to administer without the need to establish significant additional administrative staff.
4. New funds, when possible, should have the ability to be leveraged to increase their effectiveness.
5. Each new funding mechanism must raise over \$5 million annually to be considered by the committee.
6. The new funding mechanism(s) must conform to all state and federal commerce regulations.
7. The funding mechanism(s) should be "new money" and not a replacement of existing resources.
8. The funding mechanism(s) should be stable, protected, and identified as dedicated.
9. The new funding must unite, rather than divide, conservation agencies and organizations.

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PRIORITIZATION

After in-depth discussion and research, the Committee evaluated a broad range of sustainable funding mechanisms. The brainstormed list of over 45 mechanisms was narrowed down using the Consideration Criteria and further research of the more viable options. In addition, Iowans' "willingness to pay" was gauged by completing a statewide survey and additional public input.

MEETING THE NEED

In discussing the amount of money that could be spent to meet total natural resources needs, the Committee realized that figures would soon climb to unreasonable amounts. Billions could be spent. The Committee settled on a \$150 million package which would go a long way toward the goal of reaching Iowa's most valuable natural resources. To attain the annual \$150 million of sustainable funding, it should be noted that funding mechanisms may need to be combined. The Committee also recognized that the funding mechanism(s) will need to be a dedicated, sustainable promise to Iowans.

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RECOMMENDED FUNDING MECHANISMS

After identifying and evaluating numerous funding mechanism possibilities, the Committee recommended several options in the 03/01/07 Final Report. The following are current recommendations based on continued research and evaluation.

FUNDING MECHANISM Recommended priority options for consideration.	\$ GENERATED
<p>Gaming/Gambling Revenues:</p> <p>This proposal would capture revenue from gaming/gambling. Capturing funds from expanding and new casinos was considered, but these facilities have already been legislatively approved prior to FY08 and funds are already being deposited into RIIF (Rebuild Iowa Infrastructure Fund).</p> <p>Having current, and future, casinos charge an admission fee dedicated to natural resources would provide a revenue stream.</p>	<p>Gambling admissions for FY 2007 included \$7.4 million to racetracks and \$15.1 million to riverboats for a total of \$22.5 million. An approximate \$6.50 gambling admission fee generates \$150 million.</p>
<p>Present a proposal to the people of Iowa to approve a constitutionally protected Fractional Sales Tax Increase:</p> <p>A viable and sustainable funding mechanism would be through a fractional percentage sales tax increase with the funds being dedicated to natural resources. For example, a 3/8% increase would fully fund the \$150.0 million annual need identified by the committee. A fractional sales tax increase would require a constitutional amendment to truly protect the funds.</p>	<p>Proposing a fractional sales tax increase of 3/8% would fully fund the \$150 million.</p>
<p>Lottery (A dedicated portion of the state lottery profits):</p> <p>Dedicating a portion of state lottery profits would be a good marketing tool for the lottery, and could fund a portion of the identified need. (\$336.0 million revenue in FY 2006 reported by Iowa Lottery).</p>	<p>Dedicating the profits from lottery sales (state and interstate) would generate approximately \$50-55 million.</p>

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OTHER RECOMMENDATIONS THAT SUPPORT SUSTAINABLE FUNDING

<p>Tax Incentives/Credits for Conservation:</p> <p>Tax incentives provide conservation benefits by allowing private landowners to apply for tax credits when implementing conservation practices on their land for wildlife, soil and water conservation, and public access, when taking out conservation easements or when selling their land at below market value to public or private conservation agencies and organizations for public benefits. These "conservation benefits" would be stable and sustainable since they would not require annual appropriations by the legislature.</p>	<p>This option would support conservation needs, but other funding mechanisms would be required to ensure that all natural resource needs are fully funded.</p>
<p>Bonding:</p> <p>Bonding is a means of making an initial investment sustainable and reliable over a long period of time. In addition, bonding would make more funds available immediately taking advantage of current federal cost-share dollars for which there is presently inadequate state matching funds. Immediacy would also be an advantage in areas where future inflation is expected to be high, such as public land acquisitions or easements. There are also immediate needs for trails and park improvements, and for other delayed maintenance items that will be more expensive in the future.</p>	<p>Funding sources for these bonds could include the General Fund through general obligation bonds, from gambling revenues, or from the \$20.0 million in Iowa Communications Network (ICN) bonds that will be freed up in 2007.</p>

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OTHER FUNDING MECHANISMS RESEARCHED AS REQUESTED

The following is information on other funding mechanisms requested by legislators or other participants:

FUNDING MECHANISM Additional Options Researched	\$ GENERATED
<p>Real Estate Transfer Tax:</p> <p>This is used by many states for land protection because the tax revenue increases proportionate to real estate value.</p>	<p>An estimated 1.1% of the actual market value of real property transferred would provide \$150 million based on FY2007 real estate transfer tax receipts.</p>
<p>Reallocation of the drinking water tax (now known as the water utility tax):</p> <p>Currently people getting their drinking water from a public water supply pay sales tax on that water. The water industry believes that a necessity of life - water - should not be taxed. But, as an industry, they have agreed that if they can direct and protect the sales tax collected on drinking water for water and watershed improvement and protection they would support the continued collection of sales tax.</p>	<p>\$18 million annually</p>
<p>Placing a state excise tax on outdoor recreation equipment:</p> <p>A sales tax on all outdoor recreation items that currently are not taxed through Pittman-Robertson or Dingell-Johnson (hunting and fishing) is an option, but the amount anticipated is low and difficult to administer.</p>	<p>Low \$, and difficult to administer.</p>
<p>Bottled Water Fee:</p> <p>A sales tax on all bottled water sold in Iowa.</p>	<p>Bottled Water Fee – estimated 400.0 million bottles of non-sparkling water sold in Iowa per year. \$150.0 million would have to charge \$0.38 per bottle.</p>
<p>Severance Tax on Bio-fuel Export:</p> <p>A tax on bio-fuels exported out-of-state.</p>	<p>For example, a severance tax of 15¢ per gallon on ethanol that is exported out of Iowa would generate \$150 million. This is based on the 2006 production of 1.5 billion gallons. Estimated production for 2007 is 1.7 billion gallons and that would decrease the tax to 14¢ per gallon.</p>

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OTHER OPTIONS

The following are potential Funding Mechanisms set aside as less feasible due to their lower funding capability, complexity, and/or concerns of political viability.

Dedication of a portion of the existing sales tax.	Expanding the bottle bill to include bottled water and other containers.
Reallocation of existing infrastructure funds.	Various taxes on those who adversely affect the environment.
Placing a tax on large volume water users.	Placing a severance tax on products exported from Iowa that require extensive water use for production.
Importation fee of fossil fuels.	Severance tax on all energy producers.
Park user fee.	Placing a tax on out-of-state water users.
Additional gasoline tax.	Expanded use of underground storage tank remediation funds.
Property Tax	Energy Tax/Fee (combines tax on energy producers and importation tax on fossil fuels)
Taxing storm water run-off sources that adversely impact the environment.	Reallocation of recreational vehicle registration fees.