

**CONSERVATION FUNDING IN ILLINOIS:  
CHANGING THE DEBATE**

**REPORT OF THE CONSERVATION FUNDING COMMITTEE OF THE  
NATURAL RESOURCES ADVISORY BOARD**

**to the**

**Illinois Department of Natural Resources and  
Conservation Congress**

**October 5, 2009**

# **CONSERVATION FUNDING IN ILLINOIS: CHANGING THE DEBATE**

## **REPORT OF THE CONSERVATION FUNDING COMMITTEE of the NATURAL RESOURCES ADVISORY BOARD to the Illinois Department of Natural Resources and Conservation Congress October 5, 2009**

The Conservation Funding Committee of the Natural Resources Advisory Board was created in July 2009 to recommend long term public funding options for acquisition of open space and conservation, stewardship, resource protection, education and recreation programs provided by the Illinois Department of Natural Resources. Claudia Emken, Vice chair of the Advisory Board, chaired the Committee. Other members were: Jerry Adelman, Openlands; Jerry Beverlin; Harry Drucker; Peter Murphy, IL Assn. of Park Districts; Charlie Potter, Max McGraw Wildlife Foundation; Tim Presley, Presley's Outdoors; Mickey Stewart, Great Outdoor Company.

The Committee held five meetings, in Bartlett (August 10), Chicago (September 14), Sparta (August 26), and Springfield (July 23 and October 1), to evaluate data and hear from the public.

The Committee identified a more ambitious agenda than could be accomplished in two months. It included: what should be funded, size of the need and level of acceptance of potential public revenue sources; respective role of taxes, fees, federal funds and other sources; legal and implementation issues; yield of various sources; long term trends and needs, and stability and reliability of sources. But doing an analysis of tax sources is not enough. Past Conservation Congresses have recommended one or another dedicated funding source and still one is not in place. A new type of effort is needed.

### Illinois needs a stable, adequate long-term funding source for conservation.

It is time to fundamentally change the debate on conservation to one of preserving the very future of our state while seizing critical opportunities to give our state advantages in the global economy. Our health, economy, tourism, agriculture, air and water quality and supply, our ability to have livable cities and towns without crippling flooding and heat, and our children's well-being are at stake. The solution needs to involve all of these constituencies and more. And while the immediate fiscal problems are overwhelming, we must keep our vision focused on the long term to live up to this most critical challenge of our times for this and future generations.

### **CONSERVATION IS THE FOUNDATION**

More than ever, conservation is critical to life for ALL Illinoisans. Our rich natural resource base is much more than an amenity – it is the basis for our economy as well as quality of life. It encompasses our soils, water supply and quality, air quality, and biodiversity. It forms the basis for our agriculture, industry, transportation, tourism and our attractiveness as a place for businesses and labor force to locate.

## **Conservation can drive strategic investment and community revitalization.**

Outdoor recreation spending is a major economic engine. Data from the US Fish and Wildlife Service and the Outdoor Recreation Association show that three of every four Americans participate in outdoor recreation, contributing \$730 billion to the economy. The number of Americans who bicycle is double the population of Canada. More Americans camp than play basketball, and more canoe, kayak, or raft than play soccer. Sixty-six million Americans participate in wildlife viewing which is the fastest-growing form of outdoor recreation.

In Illinois alone there are 1.1 million hunters and anglers, with \$1.2 billion direct spending annually. This activity is estimated to have a total economic impact of \$2.1 billion with 22,000 jobs dependent on it. The DNR is the only state agency with facilities – and jobs – in almost every Illinois county. There are 44 million visitors to INDR sites annually, with direct spending on trips to IDNR sites estimated at \$500m/year. Illinois could benefit from more aggressive coordination and marketing of these opportunities.

Conservation can drive regional economic development. Conservation Landscape Initiatives, pioneered in Pennsylvania, with Laurel Highlands and six other conservation areas, use a strategy seeking to link beautiful landscapes to neighboring communities to create a sustainable regional economy based on unique local natural resources. River, biking and hiking trails, downtown revitalization, support for emerging entrepreneurs, coordinated regional economic development and conservation of open space are woven together. A component of Laurel Highlands, the Great Allegheny Passage, generated over \$12 million in direct spending in 2007.

A 2006 report for the National Parks Conservation Association showed that for every \$1 appropriated for national parks, the system generates at least \$4 for state and local economies. And a 2003 analysis for the same group found that from 1987 to 1997, “gateway counties” enjoyed a growth rate in income about half again as large as non-park counties. And employment in the park counties grew almost twice as fast.

Illinois has opportunities for conservation-driven regional development, including the bi-state area centered on the cluster of conservation sites around a future Hack-ma-tack preserve in McHenry County. There is tremendous opportunity to identify and nurture these opportunities.

Conservation and open space boost property values. Well planned and maintained parks and forest preserves, especially “passive” parks (rather than amenities such as ball fields) have been shown in study after study to be associated with higher property values within urban areas.

Environmental restoration can be a huge engine for economic growth. John Austin, in a series of papers including the Sept. 2007 “*Healthy Waters, Strong Economy*”, examines the potential impacts of cleaning up our hurricane-free freshwater “third coast” of the Great Lakes (the largest bi-national economy on earth), and freeing the inherent development potential of this region from the costs and constraints of toxic hot spots, sedimented poor-quality water, etc. He estimates direct economic benefits of restoring the Great Lakes at least \$50 billion.

This positive impact includes increased property values and attractiveness of locations to younger “knowledge workers”, reduced costs to municipalities to deal with water processing, increased recreation and tourism, healthier more productive fisheries and other benefits. In his 2002 book “The Rise of the Creative Class”, Richard Florida found that a good environment is ranked as the most important amenity in attracting high-tech workers – more than housing, cost of living, and good schools. Restoration of the Great Lakes and other environmental “drivers” of the economy could be fast-tracked.

## **Conservation Provides Many Ecosystem Services**

Natural areas provide many services, from cleaning our drinking water of harmful pollution, absorbing flood waters, cooling and increasing the oxygen level of the air, providing a home for pollinators of our agricultural crops, cycling nutrients, building soil, and many others. While largely outside the economic system, and very difficult to value, (see research by Robert Costanza and others), these services are clearly critical to sustaining life. Increasingly, conservation programs are being developed that recognize and provide markets, and therefore incentives, for these enormous services. Our state policies need to recognize not only the ecosystem services themselves but the potential opportunities to finance them.

Conservation can help assure adequate water supplies. Water can be the underpinning of much of our future economic competitiveness IF we provide information, planning and action to assure adequate supplies of good quality. The importance of natural resources planning and conservation to growth and economic development is shown by two recent water supply planning pilot programs initiated and supported by IDNR.

The Mahomet Aquifer Consortium’s Regional Water Supply Planning projects that by 2050, in a 15 county area in Central Illinois, groundwater withdrawals for non-electric purposes will increase between 220 and 240 million gallons per day more than normal-weather withdrawals of about 340 mgd in 2005. Models developed for the project show that withdrawing this additional water from the aquifer will result in increasing drawdown of groundwater in wells, expanding “cones of depression” in the underground aquifer, an actual reversal of the direction of groundwater flow in some areas, and reduced flow in many surface streams, leading to water quality issues. The bull’s eye of concern is Champaign County.

The group concludes that there is sufficient water in the region to meet future water demand, if adequate infrastructure and drought preparedness plans are developed and economic and environmental costs are accounted for. The group is now undertaking a public education campaign and organizing local communities to plan for and undertake needed actions.

In the 11-county Northeast Illinois area, a similar group staffed by the Chicago Metropolitan Agency for Planning is wrapping up a study of water demand and supply. Lake Michigan water appears to the eye to be boundless but a US Supreme Court decree limits withdrawals. Drawdown in the deep aquifers will likely cause decreasing well yields, higher pumping costs, and increases in contaminants in Aurora, Joliet and nearby areas. Shallow aquifer drawdown is projected to be most significant in northeastern Kane and southeastern McHenry Counties, with other areas to the south and west also affected.

The Illinois State Water Survey notes that while the deep aquifers cannot be counted on indefinitely, there is time to pursue alternate sources and demand management. For areas that face drawdown in their shallow aquifers, it is possible that in the long term inadequate local supplies will limit growth and development opportunities unless new sources are developed. Both studies point out the need for resources to follow study with action, to protect and use the major water models developed by the project, and to expand this effort to other areas of the state.

Conservation can preserve and expand habitat and biodiversity. Illinois has lost more than 90 percent of its original wetlands, 99.99 percent of its prairie, and currently has 424 state and 24 federally listed threatened and endangered species within its boundaries. According to The Nature Conservancy, of the 11 most endangered grassland and shrub land birds in the nation, seven spend either their winter or summer months in Illinois. This dwindling biodiversity is not only our birthright and heritage, but the repository of genetic diversity to help future generations develop new medicines and more stress-resistant crops in the face of climate change and other stresses. We should treat these scarce resources for what they are and manage and steward them for the future.

Conservation can lessen the impact of flooding and other natural disasters. Conservation can be a good alternative to regulation for keeping development out of areas prone to flooding or other disasters. This decreases the cost of cleanup and redevelopment and insurance by preventing loss. Purchasing parkland or conservation easements can provide a win-win solution. Buying out flood-prone properties can often be much less expensive than repairing and then protecting them. In Illinois, local levee districts and the Army Corps of Engineers are spending huge and increasing amounts of money to repair aging levees put in place early in the last century, and raising existing levees and putting new flood protection in place. Yet the water has to go somewhere, and there are increasingly large and frequent rain events due to climate change that mean protections against flooding that were once adequate are so no longer.

Natural resources can help mitigate, and adapt to, climate change. Forests are an effective means of capturing carbon. Green space can cool and filter the air. Natural buffers can fight the effects of expected severe rain and flooding events.

### **Conservation Can Enhance Public Health and Children's Well-Being**

Active outdoor recreation contributes to a healthy lifestyle. The Trust for Public Land cites statistics from the Centers for Disease Control that 2/3 of adults age 20 and older are obese or overweight. The percentage of children who are overweight has quadrupled since the early 1970's. Obesity and overweight disparities among people of color are especially troubling. In Illinois, an increasing portion of our population is minority and an increasing portion has less access to the outdoors. Diseases associated with obesity and lack of physical activity include high blood pressure and cholesterol, heart disease, stroke, osteoarthritis, cancer, and depression.

Children need the outdoors like they need air, water and food. Giving young people as well as adults more access to safe, rewarding outdoor experiences will help address the growing epidemic of child obesity, reduce national health care spending and help create a healthier more productive younger generation. When people have access to the parks and the outdoors they are

more likely to exercise. Natural habitats have also been shown to improve air quality, one factor in the increasing childhood asthma epidemic. Richard Louv, in his groundbreaking book *Last Child in the Woods*, cites the growing body of research that links mental, physical and spiritual health directly to association with nature. The Department needs to promote programs that capture children very early, to nurture the next generation to appreciate and benefit from the outdoors.

### **Conservation Can Make Development More Efficient**

Land conservation can reduce development costs. A 2001 Brookings Institute study found that from 1982 to 1997, urbanized land in the US increased by 47 percent, while the nation's population grew only 17 percent. Many studies over the last 30 years conclude that residential sprawl costs developers, cities and taxpayers more to build and maintain than compact, mixed-use development. Everything from sewer and water service costs to the amount of area paved for roads and the costs to provide transit, fire and police services increase, and costs are passed on to residents and businesses as higher taxes. The costs paid in greater use of gasoline – and commuting time – also increase. In most cases, sprawling residential development does not generate enough new taxes to cover the costs. Shifting only a portion of this type of development to more compact development in concert with preserving open spaces could save billions over time. Indeed, conservation communities – where natural features are saved and intertwined with denser development – have proven financially attractive.

Conservation of farmland benefits communities and economies. The American Farmland Trust and other organizations have studied the cost of providing services to different land uses. According to the Trust for Public Land, those studies show that delivering services to residential development almost always costs more in services than the community realizes in taxes. Keeping the land in farming, ranching or forestry often produces nearly as much net economic benefit as commercial or industrial development. Protecting productive agricultural land provides industry, sales and jobs. But it also can provide rural and environmental amenities including view sheds and wildlife habitat, local and national food security, watershed and water supply protection and well-planned, fiscally sound development of urban, suburban and rural land. Kane County has recognized these intertwined benefits – and the financial and property tax pressures facing farmers on the edge of urban areas - and instituted farmland preservation programs including conservation easements.

### **Swift action is needed to preserve our natural resources**

Urbanization steals conservation opportunities. According to Partners for Parks and Wildlife, as Illinois continues to fall behind in land conservation, it is becoming increasingly more expensive to catch up. As the real estate market has boomed, land prices have risen steadily throughout the state, making open land both scarcer and more expensive. In the five years from 1995 to 2000, the Chicago metropolitan region lost more than 140,000 acres of rural grasslands and wetlands. Kendall County was recently the third fastest growing county in the nation, with Grundy County ranked as number 11. Will and Boone counties are also amongst the fastest growing in the country. The price for farmland statewide has risen 68 percent from 2000 to 2006.

Climate change is stressing our natural resources – and our agriculture, our cities, our health and our economy. The Union of Concerned Scientists, in *Confronting Climate Change in the Midwest*, July 2009, projects that by the latter part of this century, Illinois' summer heat and humidity will more resemble anywhere from Alabama to Texas. If current pollution trends continue, most summers would be hotter than 1983, the hottest during the historical baseline. Chicago could face more heat waves like the one that killed hundreds in 1995. Air quality would deteriorate, causing more smog and its serious health effects, particularly bad for the 12 counties around Chicago and St. Louis which may face stronger regulations on industry from the USEPA. Heavy rain and related flooding would be more common.

Crops and livestock would face more heat stress, warmer winters would encourage more pests, while wetter springs could delay planting and drier summers challenge crops. One scenario showed corn production down by 50% in Illinois by mid century, while for soybeans, a crop that benefits more from CO2 fertilization, results were mixed. Heavy impacts were projected to livestock, leading to declining production or the need for expensive cooling.

According to Chicago Wilderness, ongoing climate change is altering the availability and quality of water and habitat for native plants and animals, and increasing opportunities for invasive species and new plant and animal diseases. For instance, as many as 44 bird species that now breed in Illinois may soon no longer do so.

Children are more disconnected from nature than ever, just when symptoms of disconnection from the outdoors, from obesity to Attention Deficit Disorder, are spreading quickly. Structured play, over-scheduled and security-conscious families, the ubiquity of electronic entertainment, the loss of family members who are themselves familiar with the outdoors, and the very way we design our physical communities, all lead to loss of familiarity and contact with nature.

We are losing our connection to nature as a society academically. Natural History study is dwindling. Who will be our next generation of naturalists, if scientists study how chemicals behave in cells, or create mathematical models of populations, but cannot go out in the wild and identify plants and animals across all the seasons and understand how they change and interact?

Fees charged for hunting and fishing will no longer adequately fund conservation due to economic, demographic and cultural changes. The US is increasingly more urban, older, more heavily minority and immigrant with different traditions. Children are increasingly technology-oriented, over-scheduled, and grow up in households without a mentor in outdoor activities or nearby location to practice them. Rural land is increasingly fragmented by development, owned by large corporations, and the tradition of allowing others onto one's land to hunt is declining. These trends negatively impact the federal funds that flow to state governments, as well as direct state revenues. These traditions are an important way that familiarity with and love of the outdoors and nature has been embedded within our culture. Illinois should avoid reaching the "tipping point" where we can no longer reach a new generation.

**Funding must be stable, adequate and long term.**

Words from the Partners in Conservation coalition from 1987 hold true today: "The Department of Conservation differs from most State agencies because its constituents generate a substantial

proportion of annual revenues through fees and in that it is responsible for preserving and managing natural resources which require long-term stewardship....Natural resource conservation and outdoor recreation opportunities cost more in Illinois than in other states. Illinois' natural resources are scarce and land costs are higher....Stable, long-term funding is critical to protecting this sizable public investment.”

Land costs more in Illinois, because of its flat, mostly uninterrupted topography, rich potential for farming and heavy urbanization in parts of the state. Between 1998 and 2005, land protected by state or local government in Illinois cost an average of \$4453/acre, compared to a national average of \$1,501/acre, according to the Trust for Public Land. If we delay acquisition, many parcels of great value today and for the future will be lost forever to development. The price of those that remain likely will increase over time, making delay costly to taxpayers.

Only a small portion of land in Illinois is publicly owned. Conservation must include leveraging local governments and private landowners – programs must support a comprehensive approach.

Stewardship and defense of natural resources already in the Department's care is a long-term – and increasing – commitment and covering those needs through user fees is not possible.

### **We are behind in meeting the needs**

With only 1% of land protected for future generations, Illinois ranks behind all other Midwest states except Iowa in conservation and recreation areas as a percent of state land (compared to leader Michigan at 12.3%), and behind all Midwest states in conservation and recreation areas measured in acres per 1,000 population (29, compared to leader Minnesota at 1,223). Illinois has lost 99.9% of its original prairie. Less than 10% of natural wetlands remain. Over 250,000 acres on the Illinois Natural Areas Inventory remain unprotected.

Illinois ranks low on per capita conservation spending. While there is an estimated \$3 billion need to protect open space according to the 2004 SCORP, annual state open space spending per capita in Illinois from 1999 to 2004 was \$2.67, placing it far behind states such as Florida (\$24.10), Maryland (20.87) and New Jersey (\$19.47) which are consciously racing to save land ahead of growth pressures. But Illinois was also behind other large northern and eastern states (Pennsylvania, \$7.09) whose economic situation is more similar to its own. It ranked slightly above such states as Tennessee (\$2.51), Michigan (\$2.27) and Alabama (\$2.10).

### **Opportunities right now are immense**

Land prices are lower due to the economic situation.

The general population recognizes the benefits of conservation due in part to widespread understanding of the potential effects of climate changes and other threats to natural resources.

Illinois has laid the groundwork for targeted land acquisition through major planning efforts such as the nationally-acclaimed Wildlife Action Plan, the updated Illinois Natural Areas Inventory, and plans created by many of Illinois' Ecosystem Partnerships including Chicago Wilderness.

Constituents are mobilizing around conservation. Many were galvanized into action when the former Governor closed state parks. Partners for Parks and Wildlife, a coalition dedicated to dedicated to open space, parks, natural areas protection and recreational opportunities, is reinvigorating its efforts. The Partnership has fought state fund sweeps and in 2007 proposed iSPACE, a capital program for conservation.

A new Governor recognizes and supports conservation as a priority. Governor Quinn has reopened formerly closed parks, and vowed to return natural resources to a place of prominence.

While the state's overall fiscal situation is dire, new revenue sources may be enacted in the next few years. Conservation advocates may not know when or how new revenues will be created but they can be at the table when the debates occur.

Voters consistently and strongly support conservation funding. Of forty state land conservation votes in 20 states between 1996 and 2008, 34 (85%) were approved. Twenty nine of those were bond measures, 5 were sales tax measures. Of the 6 that failed, 2 were bond measures, with one each "sugar" tax, real estate transfer tax, motor vehicle excise tax, and oil and gas tax.

A May 2009 poll by The Nature Conservancy and The Trust for Public Land shows that Illinois voters of all types strongly support spending more money to protect land and water despite their worries about the economy. A total of 79% of voters surveyed voiced support for dedicating \$350 million in a state capital budget to conserve land and water.

The support includes men (80%) and women (77%), Democrat (85%) and Republican (70%) and Independent (74%), over age 50 (76%) and under age 50 (81%). This statement was supported by 78% of whites and 81% of voters of color. It was supported by 80% of Chicago residents, 80% of those from the Cook County suburbs, 76% of voters in the collar counties, 82% of those in the northern part of the downstate region, and 73% of those in Southern Illinois.

Support was nearly as strong for a larger \$700 million capital investment in land and water conservation. More than seven in ten voters (71%) supported dedicating an even larger portion of the Illinois 2010 capital budget to land and water conservation.

Significantly, 73% of the voters polled agreed that "Even though state revenues are down, the Illinois state budget should include funding for land and water conservation." A separate statement, "We can protect land and water and have a strong economy at the same time, without having to choose one over the other," won 83% agreement. The poll's sponsors concluded that a large majority of Illinois citizens recognize the contribution that conservation makes to the economic vitality of our state, generating \$4 billion and 30,000 jobs annually.

### **Best Practices for Conservation Funding**

Best practices for state conservation funding, according to the Trust for Public Land, include:

- Substantial state investment,
- Enabling local financing, and state incentives for local conservation,
- Purchase of development rights,
- Public-private partnerships,
- Conservation tax credits, and
- Federal partnerships.

Substantial state investment through a stable state revenue source is the foundation of a good state program. Ideally, such a funding source should be politically feasible to pass, long-term, fiscally prudent, yield enough to make a substantial investment, be perceived as fair, easy and not too costly to administer, and not fluctuate too much over time.

Local governments are key to conservation finance and should be supported by state policies. Of the public funding put into land conservation between 1998 and 2005 measured in the TPL LandVote database, \$2 billion out of \$2.97 billion annual average (or 67%) was from local governments. States accounted for \$884 million or 28% of the annual amount, with the Federal government responsible for 4%. Competition for private, state and federal funding is fierce and those non-local sources may not be reliable for any given acquisition project. And conversely, those other funding sources usually will not be committed unless the locals have “skin in the game”. In Illinois, local governments have played an even bigger role in conservation funding compared to the state. Here, local governments authorized an average of \$169 m/year of conservation funding, compared to an average of \$15m/year spent by the state.

Opportunities for federal funding should be grasped but cannot form the main thrust of a state conservation funding strategy. Federal conservation programs include direct acquisition (small in Illinois) and grants. Federal funding is often one-time, very competitive, and may require strong political groundwork that may or may not pay off. Judgments need to be made about the amount of effort put into seeking federal funding. Some federal opportunities, such as conservation and habitat funding under the pending Waxman-Markey “cap-and-trade” bill with revised Wildlife Action Plans to incorporate climate change, are real opportunities.

Many other states have bold conservation funding mechanisms, including General Obligation bonds (either mandated in the Constitution, possibly with a sunset, or simply approved by the legislature), property taxes, real estate transfer taxes, a deed or other document recording fee, state sales taxes including a dedication of a portion of the tax through changes to a state’s Constitution, a set-aside of estimated sales taxes paid on sporting goods, lottery proceeds, tipping fees on garbage disposal, cigarette taxes, license plate fees, oil and gas revenues, or simple annual general appropriations passed each year by the legislature. More information on models from other states can be found in the presentation "[State Investments in Land Conservation](#)" Matt Zieper, Trust for Public Land, made to this Committee August 10, 2009, and on the TPL website.

Many suggestions of specific funding sources were made to this Committee. But this group did not have the time, resources or expertise to evaluate them, and DOES NOT make ANY recommendations of specific revenue sources. An appendix to this report includes a list of ideas gathered from the public, from past Conservation Congresses, the “suggestion box” on this Committee’s website, and from participants in Committee meetings. No endorsement is implied. The Appendix also suggests some criteria for use in analyzing and evaluating funding options, but this Committee leaves that work to future efforts.

Ingredients for state success include political leadership from the top, nonprofit partnerships and broad based public support. The Trust for Public Land found that, while almost every state approached conservation finance differently, several common characteristics led to success. One was political leadership from the top. Most successful states also cultivated broad-based public support for conservation finance, often tapping the business community, the arts, or other

less obvious partners. Strong leadership by nonprofit conservation groups was another common link, supported by good relationships between the state conservation agency and the nonprofits.

### **Illinois has several land acquisition programs but they are not doing the job.**

The most reliable conservation financing programs have been the Open Space Land Acquisition and Development program, or OSLAD, and the Natural Areas Acquisition Fund, but revenues are plummeting. OSLAD funds acquisition and development of park facilities. NAA is for acquisition, stewardship and defense of natural areas and funded a major project to update the Illinois Natural Areas Inventory. Both get revenue from the state's Real Estate Transfer Tax.

Because of the housing market, RETT revenues are down by about two-thirds, from their peak at the height of the real estate boom in 2006. Each fund is in danger of being drawn to zero balance for new funds that can be obligated. It is unlikely that revenues will pick up again soon to their former levels, as the prior levels were based on a "bubble." The 2010 capital budget includes \$150 million in bond funds for a new parks grants program, which is significant but one-time.

The Open Land Trust program, created in 1999, pumped \$200m of bond funds into land acquisition in Illinois through grants to locals and direct state acquisition. The last appropriation was made in 2003, with no new funding until the 2010 capital budget, which appropriated \$25 million of this very flexible funding. \$20m of that \$25m is authorized to be issued during the first year of the three-year capital program.

No C2000 (now called Partners in Conservation) grants have been made through the DNR in several years. Conservation 2000 grants of several million/year were given out of state general revenue funds as well as bond funds to members of local ecosystem partnerships, for acquisition, restoration, stewardship, planning and related projects.

### **The Department's program and staffing have deteriorated almost to the point of no return.**

DNR has been hit disproportionately hard with General Revenue Fund cuts. Data from the Illinois Office of the Comptroller shows that between FY08 and FY09, DNR's GRF was reduced by 39.89 – ranking DNR 82<sup>nd</sup> out of 88 agencies in percent change in GRF from the prior year.

The inflation-adjusted budget is actually 15.5% less than in 2001. Many job titles such as state park workers and conservation police are now earning 40% more than they were in 2001, (and benefits costs have increased even more steeply). So the "purchasing power" of IDNR's operating budget dollars has decreased even more than the inflation rate alone.

GRF has decreased each year from a high of \$106m in FY02 to \$50m in FY09. In FY01, GRF made up 51.8% of DNR's operating budget, but in FY09 GRF contributed only 24.14%. Over time, DNR has shifted payroll off of GRF and onto other state funds.

Balances in Other State Funds are being quickly depleted. In FY09, 69.46% of IDNR's operating budget was appropriated from other state funds. DNR has shifted just about all it can onto these other state funds. The Department's major operating funds such as State Boating, State Parks, Wildlife and Fish, Natural Areas Acquisition, and Parks and Conservation, which together support the largest part of the Department's people and programs, will all be drawn close to zero within one to two years. This will result either in a huge demand for GRF or cuts.

IDNR's wide range of funding sources is both a strength and a weakness. DNR relied on a wide array of funding sources for FY09: GRF (broad-based state taxes) 31%; licenses and fees 27%; rental and sales e.g. farm lease, concessions, sale of saplings, farm commodities etc. 4-5%; other sources including court settlements on environmental polluters and donations 8%; and a variety of interdepartment transfers (RETT for OSLAD and NAA, federal bike path funds from IDoT, GRF transferred to the C2000 fund, etc.) 14%.

Special funds need to be protected. With over 40 funds, DNR funds constitute a large portion of the special funds of the entire state and therefore a rich "target" for fund sweeps to help manage the overall state deficit. While no permanent mechanism to put these funds in a "lock box" has been found, IDNR constituents have from time to time successfully resisted sweeps, through strenuous efforts.

As GRF declined, headcount fell at IDNR by about 600, almost a third. 58% of the budget is used to pay people. General Revenue Funds, which are the most flexible funding source, are used even more heavily to pay people – 81% . Total headcount at DNR peaked at 1,904 in December 2000 (not including the Scientific Surveys, which were recently moved from DNR to the U of I). As of August 2009 DNR's headcount was 1,299, a 31.7% decline.

Budget pressures have real consequences for conservation and for DNR's customers. State park staff is down from 653 in December 2000, to 448 in December 2008, a decrease of almost a third. Remaining park staff has to stretch over an increasing number of sites. Sites that have one staff person (or one for a main park and its "constellation sites") cannot be cut without closing. So, large parks have taken the brunt of the reductions. For instance, from 2001 to July of 2009, Illinois Beach State Park is down from 21 staff to 7; Giant City from 13 to 7; Mississippi Palisades from 10 to 5, Pere Marquette from 20 to 13, and Rock Cut from 14 to 8. These numbers are nowhere near adequate to service the, for instance, 2 million visitors/year to Illinois Beach. Several years ago that park had two site interpreters; it now has none.

This situation is true of many DNR program areas. As staff has been reduced, and attempt has been made to keep all programs going. Many, including ecosystem partnerships, urban forestry, environmental education, park facility maintenance, invasive species, trail improvements and many others, are stretched now to the breaking point. Some have all but vanished. IDNR has lost many key scientific staff including its turkey biologist, staff to the Endangered Species Protection Board, foresters and others.

DNR has \$692 million of known capital facility investment needs on existing structures. This number grows constantly. Capital bonded appropriations to DNR for land and structures have declined steeply in the last 5 years compared to the last 10 to 20 years. This is especially true for investment in DNR's built infrastructure, which includes appropriations made to the Capital Development Board for work on DNR facilities. Appropriations to CDB averaged close to \$12 and \$14 m per year over the last 10-20 years, but only \$2.8m per year in the last five years.

**Fee increases are needed but can only be a short-term measure .**

Fees cover a greater portion of the costs of some services than of others. According to a study of cost-recovery by service area in 1988 by David M. Griffith and Assoc., boating (through titling and other fees) paid for over 80% of DNR's cost of providing service; sport fishing about 70%;

hunting over 60%, but the state parks at that time recovered less than 10% of their costs. Fees on these more “nonconsumptive” recreation activities are under consideration but can be difficult to implement.

While fees have been imposed on many recreation programs, over half of the Department’s budget goes to regulation, habitat or watershed protection, education and other functions, some of which do not and cannot recover their costs. And many fees have not been raised in a long time, so have not kept up with inflation.

While a stable long-term funding source is needed, in the short term stopgap measures are needed to fill in for steeply declining fund balances and loss of GRF. A package of fees has been proposed in SB1846 (now on 2<sup>nd</sup> reading in the IL House). It includes increases in the existing Migratory Waterfowl Stamp, Resident Deer Hunting Permit, and Hunting, Fishing and Sportsmen’s Combination License. It also proposes new fees for some of IDNR’s regulatory and permit activities; Environmental Consultation and office of Water Resources construction and waterway modification, Lake Michigan Allocation, and use of the Chain O’Lakes.

Other fees that can be implemented with only a change in Administrative Rules are under consideration. They include a \$5 daily fee to park in the State Parks (\$25 annual, \$35 for out of state residents), an expansion of the Department’s swimming fee to additional beaches, and new fees for equestrian trail use, public boat launch use, and passing \$1.09 convenience fee for use of the automated Point of Sale license purchase system on to the buyer.

**The severity of the state’s overall budget situation limits options, demand creativity.**

The historic recession also caused a substantial drop in the State’s overall revenues. The results included an almost \$4 billion backlog of unpaid bills, even after borrowing \$3.4 billion to make FY10 pension payments and about \$1 billion in cuts, all of which still left about \$1.4 billion in unmet needs in Medicaid, group health coverage, and education. It is clear that new revenues will be sought – it is unclear what the timing will be, whether this fiscal year or next.

Between 2003 and 2009, fund sweeps have taken over \$167 million from IDNR special funds to patch the overall state budget. About a third of that (\$54.8m) was from OSLAD. Without a change in the overall state economy and/or revenue structure, and with continued dire pressures in education, health care, mental health services and other core state functions, reductions in GRF and attempts to siphon funds from DNR Other State Funds will continue as the norm.

Some selected comments from the public:

- Relate fees in a logical way to the use made of the revenue.
- Move away from budgeting based on the General Revenue Fund, it can’t be relied on.
- Fees have their place but natural resources are important to all and should be substantially supported by the General Revenue Fund.
- Raising fees risks lowering participation. Another danger is that the more revenue generated, the greater the risk of sweeps into the state general fund.
- To increase transparency, issue an annual report on where fees went, and on whether any fund balances were swept.

- Explore partnerships and leveraging, use of federal funds, ways to stretch existing dollars.
- There is support for seeking a dedicated source of funding for the Department.
- Use dedicated revenues like Fish and Wildlife funds more for land acquisition rather than for staff.
- The cost to vendors of selling licenses far outweighs what merchants get, and may discourage some vendors from participating – vendors also pay \$250 for the Point of Sale units and lose time and money on the effort. Raise payments to vendors.
- The success of Morton Arboretum raising their entrance fee to \$10 shows the willingness of urban population to pay for access to open space where it's scarce.
- It is just as important to prioritize spending, when resources are scarce, as to seek new funds.
- Widen the base of individuals who pay fees, to those who enjoy the outdoors in ways such as hiking, biking, and birdwatching.
- Will license-holders be hit twice – once for the hunting or fishing license, and again to enter the park or use boat ramps? Hunters do not know that their license fees don't pay for park upkeep, security, garbage pickup etc.
- Extractive industries like mining should pay the full costs of the public regulatory effort.
- The answer cannot be just one revenue source, but a package of approaches. It may involve some fee increases immediately to stave off cuts due to plummeting fund balances, and a suite of longer-term solutions.
- The Minnesota dedicated funding was only passed after a huge effort taking many years. Our efforts will fail if we think this will take a year or two. It was important to broaden the base of support to include the arts and other interests. How do we make those connections? We need the business community, local governments, the faith-based community and many others.
- In Illinois, referenda are only advisory. It costs several million dollars to do a campaign for a referendum, which may not be successful. Even if it is successful, because it is advisory only, you still need to convince the legislature to vote for it!
- IDNR needs to educate the public on the extent of its conservation efforts and its wide array of programs. This could further mobilize citizen advocacy for dedicated funding for conservation. Photos are a great way to market conservation. Showing accountability for public funds (like Lake County has done) is also important for building support.
- We need to convince elected officials of the importance of natural resources. It is as important as health or education – indeed natural resources ARE the health and education of our children.

## RECOMMENDATIONS

1. Implement a stable, adequate, long-term funding source for conservation in Illinois, by creating fundamental new partnerships. Partners may include economic development, tourism, health care and public health, child welfare, education, agriculture, faith communities, job training advocates, culture and arts advocates, local government and business. Different strategies will be developed to engage different partners. Each may require research and information, real dialogue

(listening and acting in response, not just talking), thoughtful messaging, and building working relationships and trust.

2. Develop a “master action plan” to create partnerships, and to develop and test program and funding options. Work will include researching potential funding mechanisms, their legal characteristics and limitations, potential dollar yield, political and public acceptance, and how they can be implemented. Agreement on a series of “policy screens” for different funding mechanisms would be helpful. Should it be dedicated? What size yield do we need? What characteristics should it have in terms of fairness, administrative efficiency, stability over time, and effect on people’s actions in relation to the environment? When is it proper to institute a fee versus a general tax? Should there be a sunset on revenue mechanisms to make voters more comfortable adopting them?
3. Adopt a radically broad approach to conservation as the foundation of economic development, education, health, livable cities and a sustainable high-quality life for Illinois residents. Just as our natural resource base underpins our agriculture, health, economy, tourism, and attractiveness for business and labor location, our thinking about who is a “conservationist” needs to radically broaden. This challenges traditional conservationists to gather more information, understand the needs and viewpoints of other sectors, rethink messages and approaches and broaden goals.
4. Pursue short-term measures to enhance conservation programs and funding, that do not impede progress towards the long-term goal. These measures could include:

Take advantage of new funds available from any national climate change legislation by meeting all requirements placed on Fish and Wildlife Agencies, for instance to incorporate climate change adaptation into their Wildlife Action Plans.

Take advantage of new carbon markets by allowing carbon capture activities (forests, prairie restoration) that otherwise fulfill the Department’s mission, to generate revenue to the extent this does not interfere with the Department’s work.

Pass SB1846, now on 2<sup>nd</sup> reading in the Illinois House, in the Veto Session this Fall. This bill increases some existing hunting and fishing fees and implements some new fees on IDNR regulatory activities, to more closely cover costs with revenues.

Implement fees that the IDNR can put in place with only Administrative Rules, that are not too costly to implement, are generally acceptable to constituents and will help replenish dwindling fund balances. This would include fees for some non-consumptive recreational activities such as use of the parks.

Re-examine the Department’s business practices to maximize revenue consistent with mission. Actively show constituents, elected officials and taxpayers that the Department seeks to operate efficiently. Maximize use of federal funds so that none are returned. Use outside expertise to seek grants for IDNR and local and private conservation efforts.

Use partnerships to leverage limited resources. Improving policy to encourage conservation on private lands; pool resources with nonprofit, foundation and private partners to maximize land acquisition; and facilitate “friends” organizations and nonprofit stewardship trusts to leverage stewardship and maintenance funding for lands people care about.

Seek federal funds for State programs, and educate private landowners and others about federal funding available for conservation efforts.

5. Commit many parties to carrying out pieces of the action plan. It cannot be done by government alone, or by any single constituent organization. The scope of work is too great, and the range of intellectual resources that must be engaged for real success on this broad question must by definition come from many sectors.
6. Commit the Department of Natural Resources to full, open transparent information exchange in its role as partner. Along with other parties, the Department must make it a priority to invest in this long-term partnership effort even in the face of immense daily challenges to carry out its mission with dwindling resources.
7. Recognize that this effort may take years. Conservation is not for the faint of heart – or the short of attention-span. Passing dedicated conservation funding in Minnesota was a ten-year effort. While many critical pieces of constituency-building are in place in Illinois, this is likely more than a mere one or two year project. Short-term crises need to be addressed, but they cannot be allowed to derail the main effort.
8. Be ready with the arguments and the coalition in support of conservation when new revenues are put in place to help solve the State’s overall fiscal crisis. It is likely that new state revenues will pass in the next year or two. When that debate is had, conservation must be at the table and receive a fair share of new funding, as an underpinning of the economy, health and life in the state.

## APPENDIX: Funding Source Option Suggestions from the Public

**Disclaimer:** This list is a compilation of funding ideas from many different sources, including past Conservation Congresses, ideas presented at Funding Committee meetings by members, presenters, or members of the public, or on the Funding Committee website “suggestion box”. No vetting has been done of acceptability, legality, yield etc. Facts and numbers presented by these varied sources have not been independently verified. Nothing about priority is implied by the order of presentation. Inclusion does not imply support of the Illinois Department of Natural Resources, the Natural Resources Advisory Board or its Conservation Funding Committee.

Also suggested below are some criteria that could be used in analyzing and evaluating these different categories of funding sources (taxes, user fees, changes in business practices, and partnerships). There are probably more criteria that would also be useful. No attempt has been made by the NRAB Conservation Funding Committee to apply these criteria to the funding sources listed – that task is left for future efforts.

### State taxes/funding sources

Criteria for analyzing and evaluating state taxes and funding sources can include:

**Fairness:** Equitable (not arbitrary, taxes like situations alike, may be flat or progressive).

**Simplicity:** easy to understand, transparent, and without being too costly to comply or administer.

**Efficiency:** raises revenues without unduly distorting economic activity (one type of activity over another) or unduly dampening economic activity.

**Adequacy:** generates enough revenue, grows with needs/inflation.

**Stability:** does not fluctuate wildly and unpredictably – includes some sources less subject to economic cycles.

**Acceptability:** Does not engender strong resistance from a particular party or sector targeted.

**Environmentally sound:** Encourages good environmental impacts/discourages bad.

### General state taxes

**Annual appropriations:** Washington State Wildlife and Recreation Program – supports habitat, parks, working lands, trails. Legislature appropriates in biennial capital budget. \$50m/biennium in recent years. Strong public support.

**Bond proceeds** (for capital items such as land, only). Wisconsin 1989, legislature established Nelson-Knowles Stewardship Program. Authorized \$250m in General Obligation bonds over 10 years. Reauthorized 1999 and 2002 at \$60m/year - \$45m for land acquisition, \$15m for improvements.

**Set aside portion (\$ or %) of GRF** budget. Officially prioritize natural resources.

**1/8 of 1 Cent increase in sales tax.** Old Cons Cong recommendation. Advisory referendum. Potentially use a portion to back bonds. Estimated \$100m/year. Minnesota – 2008 voter approved constitutional amendment to dedicate 3/8 of 1 percent sales tax, generates \$5.5 billion over 25 years, split with the Arts and other constituents, distributed as a grants program (does not support department).

**Dedication of sales tax:** New Jersey dedicates \$98m/year existing sales tax to green acres and farmland preservation programs. \$3 billion over 30 years. Passed 1998.

**Tax on Services** – not covered by sales and use taxes in Illinois. Carve-out of future portion, should service tax be implemented, OR carve-out of estimated yield from various environmentally related services (landscaping/pesticide/septic services etc.??)

**Vehicle License Fees in place of park entrance sticker:** Montana had a daily or annual permit sticker. Eliminating this practice for its citizens, Montana passed a \$4.00 fee to be added to the state's annual vehicle registration fee. Any vehicle with a Montana plate may enter into any state park or fee area without charge. The legislation also allows for any resident who does not plan to visit a Montana State Park during the year to opt out. All proceeds are dedicated to the care and maintenance of Montana State Parks.

**Cigarette tax:** Pennsylvania. Receives \$20.485m allotment.

**Lottery:** Great Outdoors Colorado. In FY06, \$125.6m generated – 50% allocated to GOCO but capped at \$35m. 40% for local conservation efforts. 10% to Colo. Div of Parks and Outdoor Recreation.

## Environment-related state taxes

**Carve-out of Sales Tax on Sporting Goods:** Several states help fund fish and wildlife conservation through a set aside of sales tax paid on equipment for hunting, fishing and other wildlife-associated recreation. This is a “carve out” of a portion of the funds already captured by the existing sales tax. “Voluntary” tax on those who use natural resources for recreational purposes. Texas – allocates share of existing tax revenues estimated to come from sporting goods to TX Parks and Wildlife Dept. Established 1993. Pre-2007 capped at \$32m/year. Cap lifted in 2007. FY08 – estimated \$229m revenue - \$112m appropriated to TPWD, balance retained in general fund.

**Garbage Tipping Fee:** Illinois currently has a garbage tipping fee that totals \$2.22 a ton. Add a \$1 per ton in tipping fees to the current taxes - approximately \$16 million annually could be raised for open space acquisition. Used in Pennsylvania since 2002, \$4.25/ton municipal waste disposal fee, generated \$80m in 2006, expires 2012.

**Reduce or remove various Illinois Sales Tax Exemptions. Specific exemptions that have been suggested are listed below, but there are many others that could be considered. Agricultural Chemicals, Fertilizer and Seed:** According to the Illinois Comptroller, the farm chemical exemption cost the state \$165 in FY07. This exemption has been in place since 1975. **Remove Motor Fuels Use Tax Exemption for Off Highway Diesel Use:** Diesel for use in off-highway and agricultural machines is exempt from the motor fuel excise and sales tax. The Illinois Comptroller report that in FY07 the state lost \$121.8 million because of the dyed diesel exemption, in place since 1940. **Remove Ethanol/ Biodiesel Sales Tax Exemption:** Ethanol and biodiesel are charged the motor fuel taxes, but they are exempt from the sales tax at various levels. The Illinois Comptroller reported that the state lost \$67.7 million in sales tax because of the biodiesel exemption and \$101 million because of the gasohol exemption. The ethanol exemption has been around since 1980 and the biodiesel exemption since 2003.

**Kernels for Conservation:** create a dedicated fund to be used to purchase perpetual conservation easements from willing sellers along streams and rivers in Illinois. Allocation of funds: CREP, Farmland Preservation Fund, and administration. Based on 1 cent/bushel on corn and soybeans, and 2007 harvest figures of 2,283,750,000 bushels of corn and 360,180,000 bushels of soybeans, this proposal would generate \$26,439,300.

**Changes to Existing Real Estate Transfer Tax:** Double the amount, as per IEC/TPL/TNC funding report, or restructure tax to create a more progressive structure, increasing yield but lowering the tax rate for many, increasing for few. Proceeds go to OSLAD grants, NAAF natural areas preservation. (TPL Note re opposition to RETT.)

**Deed recording surcharge:** Massachusetts Community Preservation Trust Fund - \$20 for deeds, \$10 for municipal liens. Generates between \$20m - \$75m for matching funds for communities that adopt the Community Preservation Act. 144 of 351 communities have adopted. Florida Documentary Stamp Tax – 70 cents on deeds and 35 cents on notes generated about \$4 billion/year. Florida Forever program had \$300m dedicated to it. Bonds issued by legislature backed by Documentary Stamp Tax.

**Waterway fee on commercial goods shipped by barge.** Old Cons Cong\_ 10 cents/ton and \$1 head tax at unloading. Estimated \$30m.

**Recycling tax** Old Conservation Congress. To be used for forestry. (alternatively – tax on non-recycled paper est. generate \$5m year – old estimate)

## User fees

Criteria for analyzing and evaluating user fees can include:

Similar to criteria for taxes, but also including:

**Level of fee relates to benefits received** (reasonable fees to cover full costs including administration, capital and maintenance).

**Revenues are used for purposes related to fees.**

Can be used to **cover increased costs due to increased usage.**

Can be used to **discourage unwanted behavior.** But take care that fees do not discourage wanted behavior – be aware of “elasticity” of demand.

Substantial fees work best when there is an **associated fine or penalty** for not complying – otherwise noncompliance (with the fee, or with obtaining the associated permit) is encouraged.

## Consumptive Recreation-related user fees

See fees already proposed by IDNR in SB1846 – increases in migratory waterfowl stamp, deer hunting permit, and hunting, fishing and sportsmens combo licenses, as well as proposal to pass \$1.09 “Point of Sale” convenience fee on to consumers.

## Non-Consumptive recreation-related user fees

See also fees proposed by IDNR; state park parking fee, expanding coverage of the existing state beach user fee to additional locations, new equestrian trail use fee, and new public boat launch use fee.

**State Park access fees or annual vehicle pass:** states such as **Indiana, Michigan and Wisconsin** garner as much as 30% of their state parks operating budgets through entrance fees.

**Spread licenses/fees to users that do not pay now,** e.g. bicycle permits, equestrian trail use fee.

## Extractive or regulatory-related user fees

See also fees already proposed by INDR – OWR regulatory fees, Consultation Fee.

**Water Supplier Fee.** Rhode Island – Public Drinking Water Protection Act – 2.92 cents per 100 gallons water supplier levy generates \$9m/year. \$1.054 cents deposited in Watershed Protection Fund for watershed protection and water quality projects. This “penny per hundred”, about \$3.6m/year, supports revenue bonds. (PerTPL, clean water is number one reason people vote to spend money to protect land.)

**Add-ons to IEPA permit fees** to support water quality improvements, supply planning.

**Water Resources Restoration Sponsor Program** (Ohio). Uses existing federal funds (matched by state funds?) from the Clean Water State Revolving Fund. Combines wastewater treatment and water source restoration projects. Communities enter into an agreement with a conservation partner, such as a land trust. Communities borrow funds from the Revolving Fund in addition to what is needed for their usual projects, but use additional amount to facilitate a restoration project. Receive a reduced interest rate – “held harmless” on total annual payments.

**Oil and Gas royalties.** Michigan Natural Resources Trust Fund Act. Capped at \$500m. In FY06, fund received \$57.4m About \$25035m spent each year – 75% for acquisition, 25% for development projects.

**Assess whether mines and restoration projects pay filing fee.**

**Annual fee on private landowners to help Division of Forestry run IL Forestry Development Act** – provides tools, tax incentives and assistance to private landowners.

## Business practices

**Criteria for analyzing and evaluating business practices can include :**

Raise revenue without distorting purposes/mission of Department.

Not complex/costly to administer.

Do not create undue negative perception.

**Develop ways to generate revenues from valuing the ecosystems services of Department lands** through practices such as nutrient farming, to the extent that such does not interfere with other values for which the department purchased or holds the land.

**Take steps to take advantage of emerging carbon markets** through participation in sequestration activities to capture the value of activity on IDNR land, as appropriate.

**Intergovernmental agreement with Fox Waterway Agency** to reflect a dollar amount back to the state on every cubic yard/ton of dredged material that is taken out of the system, processed, and sold by Fox Waterway Agency.

**Interagency Cooperative Fire Management Agreement** – allows trained DNR employees to participate in wildland fire control. Can bring \$ to Forestry fund. Salaries insurance etc paid by feds also 23% admin fee to IDNR. Also provides good training for employees.

**Forestry Management changes:** Manage State forests for timber harvest. Can be good for habitat, oak regeneration. Less than 50% staffing of district foresters. Sell rather than give away seedlings. Charge landowners for forestry management plans, other services that are also provided by consultants.

**More fully staff Natural Resources Damages Assessment** work, to help bring in more settlements against polluters. Program should be at least self-supporting.

Leverage federal, local, private, partnerships

**Capture available federal funds, and USE what is available so none has to be returned.**

**Use outside grant seekers who are paid by a portion of what they bring in.** Make this service available to nonprofits and local government.

**Land Preservation Income Tax Credits** (VA). Credit is 40% of the fair market value of donated land. Program capped at \$100m/year. Between 2000 and 2005 there were \$380m in tax credit requests and \$134m approved.

**Capture future Waxman-Markey funds** that are proposed to be available to states through PR/DJ by incorporating climate change into Wildlife Action Plan, meeting other requirements.

**More outreach to let private nonfarm landowners know about incentives** to help offset taxes on natural areas of their land.

**Create more “Friends of” groups, or not for profit “trusts” to encourage private funds donated** for endowment/stewardship, e.g. operating and equipment expenses at waterfowl impoundment areas, stewardship of privately owned nature preserves.

**Ecotourism partnership opportunities, e.g. National Wildlife Refuges: *For example: Hackmatack*** – would link existing natural areas to create a 4,600 acre macro site and expand the trail network to Wisconsin. The area supports an extraordinary collection of diverse natural communities, and five tributary headwater streams of the high quality Nippersink Creek. In close proximity to three urban areas (Chicago, Milwaukee and Rockford), Hackmatack would provide extensive recreation, education and economic opportunities.