



# ANNUAL REPORT

**CALENDAR YEAR 2007**

**A Report to the Governor and General Assembly**



William G. Ross, Jr., Secretary  
N.C. Department of Environment  
and Natural Resources

J. Robert Gordon, Chairman  
Board of Trustees  
NC Natural Heritage Trust Fund

**NORTH CAROLINA  
NATURAL HERITAGE TRUST FUND  
AWARD REPORT – CALENDAR YEAR 2007**

**Origins and Mission**

The North Carolina Natural Heritage Trust Fund (NHTF) was established by the 1987 General Assembly (G.S. 113-77, effective July 1, 1987) as a supplemental funding source for state agencies to acquire lands and to pay for the inventory of natural areas by the North Carolina Natural Heritage Program. A twelve-member board of trustees administers the Trust Fund.

**Board of Trustees**

NHTF is delegated the authority to grant funds to eligible state agencies pursuant to applications which meet statutory criteria and board guidelines. The governing authority for the Trust Fund is a 12 member board of Trustees. This number was increased from nine members during the 2001 legislative session. Four members are appointed by the Governor who also designates the chairman. Eight members are appointed by the General Assembly with four recommended by the President Pro Tempore of the Senate and four recommended by the Speaker of the House. Appointments are made effective January 1 and are for staggered six-year terms. Persons appointed are to be knowledgeable in the acquisition and management of natural areas.

**BOARD OF TRUSTEES**

**Governor Appointees**

Charles E. Clement  
Watauga County  
2002-2008

Thomas D. “Bud” Hunter  
Henderson County  
2004-2009

R. Michael Leonard  
Forsyth County  
2006-2011

Elizabeth D. Taft, Ph.D.  
Pitt County  
2002-2007

**Senate Appointees**

J. Robert Gordon, Chairman  
Scotland County  
2002-2007

Lois McIver Winstead  
Person County  
2005-2009

Portia Hawes  
Warren County  
2006-2011

Dewey W. Wells  
Avery County  
2002-2007

**House Appointees**

Alan D. Briggs  
Wake County  
2006-2011

William Joslin  
Wake County  
2002-2007

Henry L. Kitchin  
Richmond County  
2002-2007

Thomas W. Reese  
Catawba County  
2004-2010

### **Board of Trustee Membership Changes**

At the end of 2007, two long-serving Trustees retired. William Joslin, a Raleigh attorney, was instrumental in working with the legislature to get the original NHTF statute passed in 1987. He was appointed to the board in 1989 and had served for 19 years when he retired. Dewey W. Wells, an attorney residing in Blowing Rock was appointed to the first board of the NHTF in 1988 and served for almost 20 years before retiring. The General Assembly, at the recommendation of the President Pro Tempore, appointed Samuel P. Douglas from Wilson County to replace Mr. Wells; and, at the recommendation of the Speaker of the House, Dr. Alan S. Weakley replaced Mr. Joslin.

### **Natural Heritage Trust Fund Staff**

Since September 2005, the Board has been supported by an Executive Director:

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The NHTF also supports a real estate agent housed in the Department of Administration's State Property Office (SPO) to assist applicant agencies in developing and implementing NHTF-funded land acquisitions. This real estate agent has been instrumental in ensuring that acquisitions comply with state requirements. Operating expenses for personnel, producing and distributing grant materials, meeting expenses, etc., continue to be below 1% of the program.

### **Funding Sources**

Since 1987, and as of December 31, 2007, NHTF has received over \$199 million dollars including an initial appropriation of \$275,000 (Table 1). The primary source of funding for the NHTF is the state excise tax on real estate conveyances. NHTF receives 25% of the state's portion of the \$2 per \$1,000 value deed stamp tax. The County retains half of this tax while the state receives 50% less allowable administrative costs. The second major source of funding is a portion of the additional fee charged for personalized license plates. The state charges an additional fee of \$30 for each personalized license plate; \$15 of this additional fee is credited to the NHTF. NHTF also receives a portion for specialty license plates in some cases: \$10 for each "First in Forestry" license plate and \$15 for each out-of-state college specialty license plate. Monies not expended remain in the interest-accumulating Natural Heritage Trust Fund account and do not revert to the General Fund. The final source of funding is interest from funds in this account.

### **Grant Criteria**

Grants are awarded for the purposes of acquiring lands that

- represent the state's ecological diversity to ensure their preservation and conservation for recreation, scientific, education, cultural and aesthetic purposes;
- add to the system of parks, State trails, aesthetic forests, wild and scenic rivers, fish and wildlife management areas and other natural areas for the beneficial use and enjoyment of the public; and
- help to develop a balanced state program of historic properties.

Funds are also allocated to the N.C. Natural Heritage Program for natural area inventories and conservation and protection planning of natural areas. These data are then used to help guide land management and conservation decisions by state and federal agencies, and also by private groups and businesses, ensuring that conservation dollars are spent to strategically protect the highest quality areas.

In 2004, the General Assembly also authorized the NHTF to be used to retire debt incurred by granting funds for land acquisitions for the purposes listed above.

### **Eligible Agencies**

State agencies authorized to apply for grant awards are:

- Department of Environment and Natural Resources,
- Wildlife Resources Commission,
- Department of Cultural Resources, and
- Department of Agriculture and Consumer Services.

Priority consideration is given to protection of land having outstanding natural or cultural heritage values. Land with outstanding natural heritage values is land that is identified by the N.C. Natural Heritage Program as having state or national significance. Land with outstanding cultural heritage value is land that is identified, inventoried or evaluated by the Department of Cultural Resources.

### **Income and Awards**

As shown in Table 1, income for calendar year 2007 was \$23,547,817. Income from the deed stamp tax (real estate transfer tax) was down over \$1 million (6%) from the previous year as might be expected given the current national real estate market. The decrease was slightly offset by an increase in interest earned and from the sale of personalized license plates. Overall, income was down about 2% from the previous year.

Since 1987, and as of December 31, 2007, NHTF has contributed to the protection of over 264,000 acres through 420 grants totaling over \$218 million in funding (Tables 2 and 3). The locations of these projects are shown on Figure 1. Grants exceed total income due to re-granting of returned funds and the issuance of Certificates of Participation (COPs) as discussed below. Due to insufficient funds, the NHTF is typically unable to fund about 52% of the high quality eligible requests. In 2007, NHTF received over \$73 million in requests.

Awards are higher in some years than the income because in 2004 the General Assembly authorized the three natural resource trust funds (NHTF, Clean Water Management Trust Fund and Parks and Recreation Trust Fund) to incur debt up to a combined total of \$45 million through special financing, referred to as Certificates of Participation (COPs), to acquire property meeting specified criteria. NHTF used this special financing mechanism (COPs) to fund projects several projects between 2004 and 2005, at which point the authorized amount (\$45 million) of COPs financing was completed between the three trust funds. Now NHTF repays the debt and interest using annual receipts.

Another reason for award levels exceeding income is that some grants are returned to NHTF to be re-granted because the properties were unable to be acquired and/or the final acquisition costs were less than the grant. Refer to Table 2.

During the calendar year 2007, NHTF awarded 44 grants totaling \$36,149,061 which contributed to the protection of over 20,000 acres (Table 4). The awards in excess of income were made possible by new enabling legislation. In the 2007 Legislative session, the General Assembly again provided NHTF with the authority to use COPS – this time up to \$50 million. At the Fall 2007 award meeting, the Trustees began to use some of this special indebtedness financing to fund high quality, high priority projects that would otherwise be lost to development. A total of \$11,297,400 of the 2007 awards were made using COPS. The Trustees plan to allocate the remaining COPS authorization in the coming cycles for similar high priority projects.

Detailed summaries of the Spring 2007 and Fall 2007 awards are included as Tables 5 and 6 respectively. Project locations are shown in Figure 2 (Spring 2007 projects) and Figure 3 (Fall 2007 projects). Important to note in the project descriptions is the leveraging of NHTF funds; many, if not most, include matching funding from federal, private, and/or other state sources.

### **Conclusions and Recommendations**

The Natural Heritage Trust Fund celebrates its 20<sup>th</sup> anniversary this year. To commemorate this milestone, an anniversary report is currently being prepared to document the history and highlight some of the remarkable accomplishments made possible through grants from the Natural Heritage Trust Fund.

NHTF continues to see more demand for funding than can be provided. Our applicants have compiled a list of land acquisition projects for the near future that show need far outpacing funding. The recently developed statewide conservation planning tool (developed in large part with NHTF funds) clearly shows the need for additional land acquisitions to provide the needed network of natural systems to sustain the quality of life the citizens of North Carolina expect. However, rather than increasing income, once COPs debt repayment begins, the annual NHTF funds available will be decreased by approximately 25%.

NHTF must continue to encourage creative funding of projects through matching other grant programs or private donations. The conservation plan is helping NHTF and other organizations insure that the state's limited resources are used most effectively on the highest priority areas.

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