



ANNUAL REPORT

CALENDAR YEAR 2008

A Report to the Governor and General Assembly



Dee Freeman, 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 2008**

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.

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The NHTF funds 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. The real estate agent, Ken Eckenroth, has been instrumental in ensuring that acquisitions comply with state requirements and adding NHTF specifications.

The NHTF is also supported by Ann Prince (part-time) who works on dedicating the properties acquired with NHTF monies, and Eric Galamb (part-time) who assists in grant administration. 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, 2008, NHTF has received approximately \$217 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 and Eligible Agencies

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 strategically to protect the highest quality areas.

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

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

Between 1987 and December 31, 2008, NHTF has contributed to the protection of more than 286,534 acres through 469 grants totaling over \$300 million in funding (Table 2). The locations of these projects are shown on Figure 1.

As shown in Table 1, income for calendar year 2008 was **\$17,850,401**, representing an overall decrease of 24% from the previous year (income of \$23,547,817 in 2007). The decrease was stabilized somewhat by the interest income and by a slight increase in the income from the sale of personalized license plates. Income from the deed stamp tax (real estate transfer tax) alone was down 31% from the previous year, as might be expected given the current national real estate market.

During calendar year 2008, NHTF awarded 49 grants totaling **\$82,675,345** which contributed to the protection of over 22,000 acres (Table 3). Grants far exceeded income in 2008 because NHTF was authorized to use a special financing mechanism (Certificates of Participation) as described in the section below. Detailed summaries of the Spring 2008 and Fall 2008 awards are included as Tables 5 and 6 respectively. Project locations are shown in Figure 2 (Spring 2008 projects) and Figure 3 (Fall 2008 projects). Important to note in the project descriptions of Tables 5 and 6 is the leveraging of NHTF funds; many, if not most, include matching funding from federal, private, and/or other state sources.

Certificates of Participation

Recognizing the need to protect important lands in our quickly developing state, the General Assembly authorized the use of a special financing mechanism referred to as

Certificates of Participation (COPs) during three legislative sessions – in 2004, 2007 and 2008. This past year's grants reflect the use of these COPS - \$50 million from the 2007 and most of the \$25 million from the 2008 authorization. This form of bond sales allowed the state to acquire properties of high natural and/or cultural heritage value that would have otherwise been lost to development. NHTF now repays the debt and interest on the 2004 and 2007 COPs using annual receipts. Due to a drop in annual receipts, debt repayment is expected to exceed 33% of NHTF income, leaving less funding for grants in the future.

Without the COPS funding, we would only have been able to fund a fraction of the requests this past year. In 2008, NHTF received almost \$114 million in requests, of which approximately \$31 million in high-quality projects did not get funded. It is important to note that due to the worsening economic forecast, NHTF awarded the 2008 COPS contingent upon the funds being available – the Council of State is determining if and when appropriate to sell these recently authorized bonds. This could mean that an additional \$21 million of projects may go unfunded. NHTF plans to allocate the remaining \$4 million of the 2008 COPS during our Spring 2009 cycle, again, contingent upon the availability of these funds.

Conclusions and Recommendations

This change in the real estate market represents an opportunity. Many of the projects we have authorized are coming in under budget as prices decline. A few key properties that our applicants thought were lost to developers are now on the market. However, the slowdown in the market also means a severe reduction in funds available as a portion of the transfer tax is the main income source for NHTF.

NHTF must continue to encourage creative funding of projects through bargain sales, matching funds from other grant programs or private donations. The statewide One NC Naturally Conservation Planning Tool, developed in part by a grant from NHTF, is helping NHTF and other organizations ensure that the state's limited resources are used most effectively on the highest priority areas.

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Table 1
Natural Heritage Trust Fund
INCOME BY FUNDING SOURCE
as of December 31, 2008

Calendar Year	Personalized License Plates	Transfer Tax	Interest	TOTAL INCOME
Original Appropriation				\$275,000
1988			\$31,091	\$31,091
1989	\$183,899		\$17,541	\$201,440
1990	\$1,798,712		\$89,992	\$1,888,704
1991	\$1,713,063	\$430,747	\$199,333	\$2,343,142
1992	\$1,663,382	\$1,792,224	\$264,976	\$3,720,582
1993	\$1,685,086	\$2,488,339	\$332,429	\$4,505,854
1994	\$1,745,402	\$2,108,936	\$398,623	\$4,252,961
1995	\$1,817,824	\$2,966,118	\$352,204	\$5,136,146
1996	\$1,841,361	\$3,925,536	\$350,826	\$6,117,723
1997	\$1,929,377	\$6,235,300	\$909,096	\$9,073,773
1998	\$1,921,397	\$7,288,799	\$1,249,495	\$10,459,691
1999	\$2,149,821	\$8,435,312	\$1,579,600	\$12,164,733
2000	\$2,271,658	\$8,542,866	\$2,181,016	\$12,995,540
2001	\$2,304,127	\$8,471,697	\$1,348,659	\$12,124,484
2002	\$2,475,324	\$8,969,100	\$849,152	\$12,293,576
2003	\$2,593,762	\$13,872,797	\$439,952	\$16,906,511
2004	\$3,741,921	\$11,597,598	\$440,806	\$15,780,325
2005	\$4,964,969	\$15,937,416	\$662,851	\$21,565,235
2006	\$4,166,738	\$18,981,304	\$970,907	\$24,118,949
2007	\$4,317,063	\$17,913,062	\$1,317,692	\$23,547,817
2008	\$4,379,840	\$12,357,922	\$1,112,639	\$17,850,401
Total Income	\$49,664,726	\$152,315,073	\$15,098,880	\$217,353,678

Table 2
Natural Heritage Trust Fund
INCOME and AWARD SUMMARY
as of December 31, 2008

Calendar Year	Income	Funds Returned	Funds Requested	Funds Awarded
1987	\$275,000	\$0	\$0	\$0
1988	\$31,091	\$0	\$494,000	\$270,000
1989	\$201,440	\$0	\$1,383,000	\$136,500
1990	\$1,888,704	\$21,892	\$2,121,892	\$946,792
1991	\$2,343,142	\$221,068	\$6,519,385	\$2,769,180
1992	\$3,720,582	\$1,157,400	\$7,826,700	\$4,013,425
1993	\$4,505,854	\$210,084	\$7,688,259	\$4,569,259
1994	\$4,252,961	\$30,302	\$14,260,282	\$5,389,291
1995	\$5,136,146	\$48,000	\$16,023,050	\$6,122,199
1996	\$6,117,723	\$9,670	\$18,806,218	\$4,639,473
1997	\$9,073,773	\$684,111	\$17,058,459	\$8,387,003
1998	\$10,459,692	\$2,153,819	\$12,702,410	\$11,554,810
1999	\$12,164,733	\$1,470,910	\$23,856,006	\$13,752,006
2000	\$12,995,540	\$1,085,982	\$26,282,825	\$13,499,293
2001	\$12,124,484	\$516,099	\$23,253,591	\$11,471,188
2002	\$12,293,576	\$263,337	\$24,520,903	\$9,688,240
2003	\$16,906,511	\$10,889	\$37,542,616	\$13,422,487
2004	\$15,780,325	\$1,798,769	\$32,582,226	\$16,858,150
2005	\$21,565,235	\$2,840,000	\$50,596,522	\$28,030,103
2006	\$24,118,949	\$1,541,958	\$55,510,660	\$26,643,982
2007	\$23,547,817	\$3,258,826	\$73,289,835	\$36,149,061
2008	\$17,850,401	\$1,051,740	\$113,914,086	\$82,545,345
Total 1987-2008	\$217,353,678	\$18,374,855	\$566,232,925	\$300,857,787

Table 3
Grant Awards Summary
1987 – December 2008

Total Awarded to Date (since 1987) (469 awards)	\$300,987,787
Returned Funds (Applicant unable to acquire land; award money returned to NHTF)	\$18,374,856
Total Transferred (spent)	\$212,433,858
Total Obligated	\$70,179,073
Acres Protected	286,534 acres
Requests to Date (645 requests)	\$566,232,925
Requests Unable to Fill (47%)	\$265,245,138

Table 4
Grant Award Totals by Agency
Calendar Year 2008

Agency	Acres	Grant Total
Department of Agriculture & Consumer Services <i>Plant Conservation Program</i> (5 grants)	1,074	\$4,349,840
Department of Cultural Resources (3 grants)	207	\$2,120,000
Department of Environment and Natural Resources (22 grants)	9,912	\$49,538,595
Wildlife Resources Commission (19 grants)	10,882	\$26,666,910
Total (49 grants)	22,075	\$82,675,345

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