



Photo by Ben Greenberg

VIRGINIA NATURAL RESOURCES FUNDING AND HOW IT COMPARES TO OTHER STATES

SUMMARY & ASSESSMENT

With support from the Virginia Environmental Endowment,* VIRGINIA*forever* commissioned Fiscal Analytics** to conduct a study of trends in Virginia natural resources funding over the last five years. The results are sobering. Even though there have been landmark investments in land conservation and water quality, those events were isolated to a few, certain years. The trend in overall natural resources spending is downward.

The study found that Virginia has been spending about one percent of available state revenues on natural resources, ranking near the bottom when compared to other states. Virginia has exemplary rivers and streams, fields and mountains, and the Chesapeake Bay. *We can and should do better to ensure their protection for future generations.*

Virginians can take great pride in progress being made to improve the Chesapeake Bay and conserve sensitive lands. Yet, land conservation and water quality needs identified in VIRGINIA*forever*'s Five-Year Funding Plan*** remain unmet by hundreds of millions of dollars. The study projects that VIRGINIA*forever*'s Five-Year Funding Plan will by the end of 2019 be underfunded by \$423 million for land conservation and \$285 million for water quality. The underfunding of VIRGINIA*forever*'s Five-Year Funding Plan has been primarily in the areas of stormwater, agricultural best management practices, and public land acquisition.

If the Five-Year funding targets were met, Virginia would be closer to achieving its Chesapeake Bay restoration goals for 2025 and Virginians would have more outdoor recreation opportunities. We would not be falling behind our neighboring states whose natural resources are no more precious than ours.

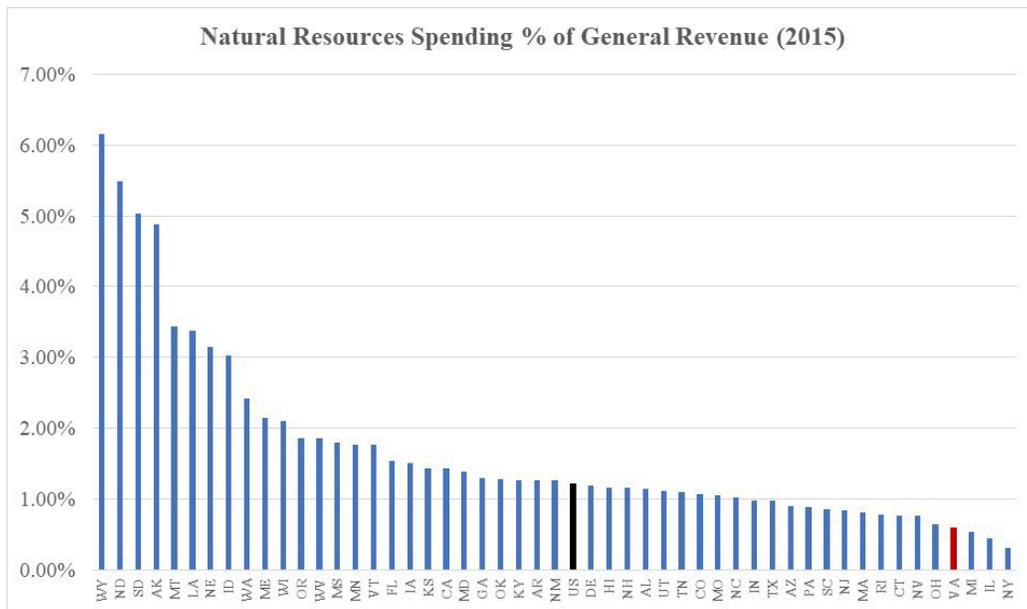
The particular years that have been bright spots for water quality improvement were 2010 and 2014, when large bond issues have been devoted to water quality improvement initiatives. The best year of funding for agricultural BMPs was 2017, but funding was far smaller in surrounding years and fluctuates widely year to year. Bond issues authorized in 2002 and 2008 made those some of the best years for land conservation. Virginia is the national leader in using tax credits for land preservation. The use of credits peaked in 2010. The amount of credits available each year was reduced in 2015.



There have been significant fluctuations in funding for both land and water programs. For example, the Agricultural BMP Cost Share program has received more than \$70M in some years and less than \$1M in others. The Virginia Land Conservation Foundation has received up to \$12.5M in a single year and less than \$1M in others. *Effective and efficient program administration is hindered by this instability.*

Reaching Chesapeake Bay restoration 2025 goals will get increasingly challenging from a financial perspective given that most of the needed reductions will come from actions taken by the agriculture community and local governments to address nonpoint source runoff.

According to the Census Bureau, Virginia’s natural resource investments significantly trail other southeastern and mid-Atlantic states. On average, states spend about double, as a percent of state budget, what Virginia does on natural resources. When compared to the surrounding states of North Carolina, Pennsylvania, West Virginia and Maryland, Virginia spends considerably less of its budget on natural resources.



	US Average	MD	NC	PA	VA
2015	1.21%	1.39%	1.02%	0.89%	0.60%
2014	1.80%	1.31%	1.03%	0.92%	0.61%
2013	1.26%	1.29%	1.07%	0.92%	0.61%
2012	1.35%	1.52%	1.31%	1.31%	1.74%
2011	1.33%	1.42%	1.36%	0.95%	1.75%
2010	1.37%	1.57%	1.26%	1.08%	0.64%
2009	1.51%	2.18%	1.85%	1.08%	0.65%
2008	1.49%	1.95%	1.61%	1.12%	0.59%
2007	1.52%	1.89%	1.61%	1.08%	0.60%
2006	1.44%	1.55%	1.33%	1.04%	0.64%

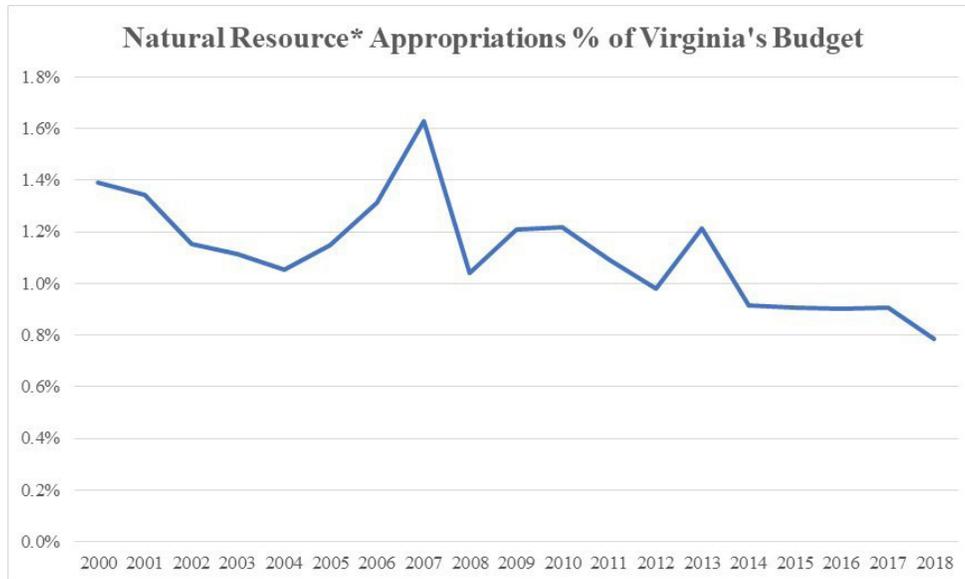
In Virginia, annualized growth in Medicaid and general fund debt service between fiscal years 2001 and 2018 has been at 7.3% and 7%, making investments in other state government functions challenging. *While all other areas have seen an increase in general fund operating appropriations, natural resources declined by 1%.*

General Fund Operating Appropriation Growth (\$ Mil.)

	2001	2018	Growth	Annualized Growth
Medicaid	\$1,384.2	\$4,605.7	232.7%	7.3%
GF Debt Service	\$243.1	\$763.7	214.2%	7.0%
Behavioral Health	\$430.2	\$772.6	79.6%	3.5%
Other H&HS	\$648.9	\$1,059.0	63.2%	2.9%
K-12 Public Education	\$3,942.4	\$6,030.0	53.0%	2.5%
Public Safety/Comp Board	\$1,949.1	\$2,588.3	32.8%	1.7%
Higher Education	\$1,634.2	\$2,014.5	23.3%	1.2%
All Other	\$1,899.4	\$2,392.3	25.9%	1.4%
Natural Resources*	\$152.1	\$128.5	-15.5%	-1.0%
Total GF Operating	\$12,283.6	\$20,354.6	65.7%	3.0%

* Includes NR Secretariat, Forest Management and VDACS Farmland Preservation

VIRGINIA*forever* recognizes the immensity of the largest drivers of the budget. But we believe that the small but crucial portion of the budget for natural resources is not proportional to the quality of life and economic benefits we gain from the lands and waters we all share as Virginians.



Additional significant investments will be needed in order for the Commonwealth's natural resources goals to be achieved.

With the well-documented constraints on Virginia's existing general fund and debt capacity that is virtually tapped out, it will likely be necessary to find new dedicated revenue sources in order to meet VIRGINIA*forever's* goals for land conservation and water quality.

As outlined in the paper, many states -- including our sister Chesapeake Bay states of Maryland and Pennsylvania -- have adopted multiple dedicated revenues to fund their natural resource protection goals.

In the recent past, the Commonwealth made a strong commitment to partner with local governments to upgrade wastewater treatment plants through significant state investments. As a direct result of that investment, Virginia is on track to meet its Chesapeake Bay restoration 2017 goals. *Now, a similar commitment is needed to meet our other water quality and land conservation goals.*

If an additional 0.1% in general funds were added to the natural resources total, this would be \$20.4M. Another 0.1% in non-general funds would mean \$31.5M. Together, the total would be \$51.9M in additional spending. This illustrates that a very small dedication of additional funds would add considerable stability to land conservation and water quality improvements, and make achieving VIRGINIA*forever* goals achievable.

**About Virginia Environmental Endowment:*

The Virginia Environmental Endowment (VEE) is a nonprofit grant-making foundation focused on improving the quality of the environment by using its capital, expertise and resources to encourage all sectors to work together to prevent pollution, conserve natural resources, and promote environmental literacy.

***About Fiscal Analytics, Ltd.:*

Fiscal Analytics, Ltd. was co-founded in 1999 by James J. Regimbal Jr. Mr. Regimbal has 34 years of experience in state and local budget and tax policy analysis. He served for 12 years on the staff of the Virginia Senate Finance Committee from 1987-1999, where he provided the Committee with expertise in tax policy, economic and revenue forecasting and transportation and finance agency budgets. His expertise in state and local budget and tax policy issues have been provided to local governments, business groups, trade associations, and nonprofit organizations. Mr. Neal Menkes also assisted in producing this study. Mr. Menkes was previously an analyst for the Department of Planning and Budget, a Deputy Secretary of Natural Resources in the Wilder Administration, and served for 14 years on the Virginia Senate Finance Committee with responsibility for Economic Development, Natural Resources, and Transportation budgets. Most recently he has served as Director of Fiscal Policy for the Virginia Municipal League.

**** The VIRGINIA*forever* Five-Year Funding Plan can be found on the VIRGINIA*forever* website at www.VIRGINIAforever.org.*

VIEW THE FULL REPORT AT WWW.VIRGINIAforever.ORG

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