

## Missouri's Conservation Sales Tax: Understanding and Sustaining Earmarked Funding

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Missouri's dedicated conservation tax is one of the great stories in fish and wildlife conservation history. In 1976, through initiative petition, Missourians amended their state constitution by creating a dedicated one-eighth-cent sales tax for conservation. While the margin of victory in the November election was small (51%), it was never-the-less, a victory. This action would directly include all citizens in the support, care, and use of the fish, forest, and wildlife resources, not only hunters and anglers, and would be interpreted as a clear acknowledgement by the electorate that everyone benefits from conservation and, therefore, everyone should contribute in some small way. Today, each Missourian contributes approximately \$16 per year through the dedicated one-eighth-cent conservation sales tax. Since 1976, more than \$1.6 billion has been funneled to fish, forest, and wildlife conservation and related programs and services in Missouri.

Thirty years of success would suggest that the future of this dedicated funding source is secure; however, economic conditions, state budget shortfalls, legislative term limits and the accompanying oscillating political climate annually bring forward new reasons to debate discontinuance of or modifications to the conservation sales tax. This also means that conservation professionals and citizen supporters must step forward each year to explain and re-explain themselves with the hope of sustaining what has served state conservation efforts so well.

### The Constitutional Mandate – Dedicated Funding

The story of Missouri's Conservation Sales Tax has been well documented (Brohn 1977, Keefe 1987, Griffiee 1999, McKinney et al. 2005) and continues to be referenced and researched today as state fish and wildlife agencies seek resolution to their individual funding woes. Prior to 1977, the Missouri Department of Conservation (MDC) was funded in a manner similar to other state fish and wildlife agencies. Permit fees (i.e., hunting and fishing licenses), federal aid, general revenue, and other sources of revenue that could be generated constituted the revenue stream to the agency.

However, the level of funding was inadequate relative to the needs. In 1976, for example, the entire budget for fish, forest, and wildlife conservation and supporting activities in Missouri was approximately \$17.5 million. Prior to and during this time, MDC continued to grapple with the harsh realities of limited funding. Revenue showed little growth, hiring and keeping quality employees was difficult, public demand for MDC services was growing, and the agency was anxious to implement a series of recommendations made by an independent study panel (Leopold et al. 1970, Nagel 1970).

Eventually, through the hard work of many dedicated citizens, a successful initiative petition process would produce a ballot item proposing a dedicated source of funding to support the broad constitutional authority of the Missouri Conservation Commission (MCC), and the projected program growth and expansion outlined in the agency's plan, Design for Conservation (Missouri Department of Conservation 1971). In November, 1976, the ballot measure would pass and for the next 29 years, MDC would enjoy an unprecedented level of program growth and development in support of fish, forest, and wildlife conservation.

Who voted for the conservation sales tax? There were no exit polls or post-election interviews to reveal the socioeconomic characteristics and outdoor interests of the 1976 electorate that carried the vote. There is, however, one intriguing fact known about that group—they were predominantly urban or metropolitan. The conservation sales tax was defeated in practically every rural county in Missouri, but strongly carried in metropolitan counties of the St. Louis region, Kansas City metro area, and Springfield—Missouri's high population counties where the proposal had to find some approval among non-anglers and non-hunters if it was to pass.

Anecdotal accounts confirm this intriguing quality of tax supporters—they weren't all anglers and hunters, or the "traditional" constituency of game and fish agencies. In describing the collection of signatures necessary to place the proposed constitutional amendment on the ballot, MDC Assistant Director Allen Brohn commented, "Hunting and fishing clubs did well getting signatures, but the best petition carriers often were college students, birders and hikers" (Brohn 1977:66).

What conservation experiences or products did metro dwellers, college students, birders, and hikers expect from the sales tax? What did they want the MDC to provide that appealed to their diverse outdoor interests? Admittedly, innumerable public polls beginning in 1978 and carrying into the 21<sup>st</sup> century have revealed that Missourians quite simply are among the most "outdoorsy" citizens in the United States. But was this passion for the outdoors enough to explain that magic moment when a majority of the electorate voted "YES" to Design for Conservation? More importantly, what will it take to maintain this privilege of dedicated funding in the mind of today's Missourian?

The importance of this dedicated funding cannot be over-stated. Approximately 62 percent of the agency's budget is supported by the conservation sales tax. In fiscal year 2004, this amount was about \$93 million. Without this funding, the MDC would once again have to rely solely on hunters and anglers to shoulder the burden of conservation, and the impact to the agency and its programs would be significant. For example, many non-hunting and fishing programs, like education programs, nature centers, and non-game management efforts would be in jeopardy because the primary funding to the agency would now be inextricably tied to direct users (i.e., hunters and anglers). In the absence of other funding, such as general revenue, hunting and fishing permit revenues (approximately \$31.8 million in 2004) and associated federal assistance from the U.S. Fish and Wildlife Service (FWS) Sport Fish Restoration (SFR) and Wildlife Restoration (WR) programs (approximately \$12 million in 2004) would become the agency's primary sources of revenue. These federally earmarked funds are restricted mostly to those eligible activities that support game species, their habitats, and related public uses. Moreover, permit revenues are somewhat protected (restricted), as they must be used exclusively for the administration of the fish and wildlife agency; entry to participate in the Sport Fish and Wildlife Restoration programs requires the state to assent to this provision. Further complicating Department funding needs would be the budgetary standing of forest management programs and responsibilities. Some forestry efforts could be tied back to fish and wildlife priorities and needs, and therefore, funded by WR dollars; however, most could not, thereby requiring outside support. A modest amount of federal assistance (approximately \$2.5 million dollars in 2004) is garnered from the U.S. Forest Service (FS), but this money fluctuates, is unreliable, and is woefully inadequate to sustain Missouri's forestry program.

The conservation sales tax combined with designated federal funds and hunting and fishing permits fees provides a solid basis for comprehensive fish, forest, and wildlife conservation in Missouri (Witter et al. 1993). Take away the sales tax funding and the Department would become little more than a state game and fish agency, tied to an apparent gradually eroding funding base (i.e., declining hunting and fishing permits), and serving primarily hunters, anglers, and the proliferation of game species.

### **Why Create Earmarked Funding for Conservation?**

Generally, earmarking is the practice of dedicating revenue from a specific source for a specific purpose. Also known as lock-boxing, segregated funding, and dedicated funding, this practice of protecting and directing revenues to specific programs and purposes is widely used in government. The public often favors earmarked funding because they believe this manner of financing public services offers greater control over government spending, and certain guarantees that public needs will be met.

To a significant degree, earmarking is a matter of trust, i.e., the public does not always trust appropriators to either a) fund programs at an appropriate level or, b) spend money on the most important or desired programs. This "lock-box" approach to funding ensures that diversions of promised funding will not take place, and in the case of the MCC, funding will go to the most important priorities, as determined by the Commission. This method offers some guarantee that a stable funding base for critical services is available, a key point argued in support of Missouri's conservation sales tax in the 1970s. History has shown us that when fiscal times are difficult, it is too easy for appropriators to trade away needed monies for fish and wildlife resources for many other pressing societal needs. It can be argued that this is the way the process is intended to work in a democracy; however, short of any failure or wrong doing by the agency, conservation initiatives should not be hamstrung by annual fiscal uncertainties because the long-term costs can be severe and the damage permanent. Stable, multi-year funding allows the agency to operate in a manner more responsive to need, and not so heavily affected by the election cycle of traditional government appropriators. Moreover, Missouri's dedicated funding, coupled with the MCC's authority, avoids the problem of appropriators diverting funds away from true priorities toward "flavor-of-the-day" issues that fulfill short-term agendas or generate political capital. Together with other dedicated federal funds (i.e., WR and SFR), and restricted funds (i.e., hunting and fishing permits), the conservation sales tax provides the level of funding necessary to fully develop a comprehensive fish, forest, and wildlife conservation program as envisaged in the original Design for Conservation.

### **Arguments Against Earmarking**

Despite the popularity of earmarking at the national and state level, this method of funding programs is generally not favored by fiscal and budget experts (Betts 1970, Perez and Snell 1995), and is not considered to be consistent with good budgeting practices (Citizens Research Council of Michigan 1995). Moreover, as fiscal stress continues to build at all levels of government; the need to re-direct revenues to priority needs continually forces reconsideration of earmarking as a realistic and legitimate practice. Even though the method of earmarking continues to be widely used and promoted, the arguments against this funding technique are many.

### Loss of Budgetary Flexibility

A key argument against earmarking is the loss of budgetary flexibility over dedicated funds. As overall governmental program needs shift due to changing priorities, new initiatives or economic downturns, dedicated funds remain unavailable to appropriators (Legislative Research Council 1992, Citizens Research Council of Michigan 1995). This inability to move funds to higher needs effectively diminishes the policy making ability of legislators (Washington Research Council 1996). Of course, a primary reason earmarking occurs is to protect funding levels of specific programs and services, regardless of other external conditions. The Citizens Research Council of Michigan (1995) suggests that if a “government function is important enough to warrant consideration for earmarking...it should easily pass the muster of the budgetary process.”

### Program Funding and Spending Distortions

The most common problem associated with dedicated funding is the failure of earmarked funds to keep pace with spending needs because the revenue source often does not grow, or program growth far exceeds its revenue stream. Moreover, once earmarked funds are created for a program or service, it is not uncommon for appropriators to resist supplementing the budget of that program. Program managers are afraid to ask for supplements for fear of losing what they have, and appropriators resist giving more, feeling that they have done enough. In the end, the program or service is not adequately funded.

Another common distortion is that funding may exceed actual program needs, thereby, forcing program managers to engage in creative, and often wasteful, spending (Citizens Research Council of Michigan 1995). In addition, budgeting behavior tends to become more a function of available funds than program need. The Washington Research Council (1996) describes this phenomenon as the First Law of Earmarking: “Whatever relationship there may have been at the outset between a dedicated tax and the purposes for which it is imposed tends to deteriorate over time.” The public can usually understand, and will tolerate to a certain degree, under-funded programs, given the great many other needs and priorities across government; however, over-funded programs are impossible to defend.

### Diminishment of Oversight

While the actual amount of legitimate oversight that takes place during the legislative budget process may be questionable, taking major program items “off-budget” severely diminishes the opportunity of appropriators to provide oversight (Washington Research Council 1996) or to “compel testimony” of program managers to defend their programs (Roberts 2002). However, even with its imperfections, the legislative appropriations process is a public forum where the light of day may be cast upon program priorities, past decisions, and future needs. In extreme instances, the privileged agency may become arrogant or lose touch with the “real world” resulting in spending patterns that migrate toward the tastes and preferences of the agency rather than the public good. When viewed in this context, dedicated funding may actually result in a “weakening of public control” over the programs in question (Roberts 2002).

### Lack of Connection Between Taxes, the Taxed, and Programs

A major problem with earmarked funding is that clear linkages do not always exist between programs, the funding source, and the people providing the funding. Taxes where the user pays and benefits, like gas tax for highway construction or excise tax on hunting and fishing equipment for fish and wildlife conservation, have a direct connection and, therefore, are easier to understand and defend, even if the generated funds are earmarked. In the case of Missouri’s conservation sales tax, everyone is taxed whether they use or directly benefit from these resources or not. For many, the relationship between themselves and the programs being funded is obscure, at best. Therefore, following this logic, why should they pay for something from which they receive no direct benefit?

### **The Case for Dedicated Investment in Conservation**

When arguing for continuation of dedicated conservation funding in Missouri, it is important to acknowledge the following four axioms as the basis for understanding the need for conservation funding. These points maybe challengeable, but much about fish and wildlife conservation is inevitably rooted in values and ideology; however, they are nevertheless useful in establishing context for our thinking and subsequent messages to the public.

1. Fish and wildlife are public trust resources, i.e., resources held in trust by the state for the benefit of all citizens. That which belongs to everyone, belongs to no one and, therefore, requires the special attention of government to ensure their conservation. Americans decided a long time ago that fish and wildlife resources are important to us as a nation, and subsequently passed national and state laws and created funding to sustain the conservation and use of these resources.



Notable examples include the National Wildlife Refuge system, Federal Aid in Wildlife Restoration Act, and Endangered Species Act. We understand that without a national and state policy commitment, the future of fish and wildlife would be in peril, because our human tendency is to use our natural resources beyond their ability to sustain themselves. We also know that given the wide range of attitudes and values toward fish and wildlife, combined with direct and indirect human impacts, our commitment must be continuous. Generally, people are not inclined to learn about and practice conservation on their own; therefore, we have created government institutions to help citizens understand and address the need.

2. The need for fish and wildlife conservation is constant; there is always a need for conservation. People hunt, fish, and recreate in other ways that include fish and wildlife. Moreover, as we exercise our private property rights (i.e., use and develop the land) we often impact habitat and species in a detrimental manner. Simply sharing the land with other living things brings us in contact, and sometimes, in conflict with other species. For as long as we continue to value and use fish and wildlife, issues involving the health, quality, survival and sustainability of these resources will require the attention of trained professionals and enlightened citizens. The human impacts to these resources are too many and too great. To not address these impacts would likely mean a hasty degradation and demise of many species and their habitats.

3. Everyone benefits in some way from fish and wildlife conservation; therefore, all citizens should contribute in a small way. Economic benefits accrued because of fish and wildlife resources should be enough to justify this assumption. In 2001, the total estimated economic benefit from fish and wildlife-related recreation in Missouri was estimated to be \$3.35 billion (Missouri Department of Conservation 2003). However, qualitative considerations (e.g., aesthetics, spiritual, and quality of life) further inflate the overall value and benefits citizens realize from these natural resources. Certainly, some individuals attribute no specific personal gain because of fish and wildlife, but the consideration of this assumption is more societal than personal. In a manner similar to how people without children benefit from a societal investment in public education (i.e., an educated citizenry enhances the community we all share), all of society benefits from the presence of fish and wildlife.

4. Fish and wildlife conservation is critical to the state in a manner similar to social programs, education, and public safety. This may be the most difficult point to understand and justify, presenting us with a very real enigma. How can we compare the needs of wildlife to the needs of people? How can we choose, for example, the need to protect critical habitat for an endangered species over some human or societal need, and is one really more important than the other? Must the reasons for wildlife conservation always be translated into human costs and benefits, or can we (should we) talk more in terms of the intrinsic values of fish and wildlife? When given the choice between funding human needs like education or public health versus fish and wildlife conservation needs, we often and easily make our choices in favor of people. However, for reasons that include economic, social, physical, psychological, and spiritual, the benefits we accrue from the presence of fish and wildlife are many and substantial. Loss or diminishment of these resources would most certainly mean a decline in the human condition, and would suggest a significant environmental decline, much of which would likely be irreversible and costly to all. Our quality of life and national prosperity is inextricably tied to our natural resources, including fish, wildlife, and their habitats. Find a place where the connection between natural resource abundance/quality and people has been eroded or broken, and you'll have likely discovered a place where human beings struggle to meet basic needs.

These points provide a basis for advancing an argument that fish and wildlife resources are important and require perpetual support. In Missouri, creation of the constitutionally established MCC and dedicated funding is viewed as a long-term, if not perpetual commitment to these resources and accumulated benefits. Again, if people value fish and wildlife, they will be more likely to support the need for conservation, and perhaps embrace the conservation cause to the point of active support (e.g., pro-conservation voting). Helping them to understand why they value (or should value) these resources is our biggest and most important challenge on the social and political side of this discussion.

## **How to Sustain the Conservation Sales Tax**

The former Assistant Director of the MDC, Allen Brohn, stated "We have the financial resources to do a top-notch job. Now we must perform" (Brohn 1977). The list of accomplishments over the past 29 years is significant and impressive. In 2002, the MDC dedicated an issue of the Conservationist magazine to a comparison of the original Design for Conservation objectives and the actual achievements (Missouri Department of Conservation 2002). This comparison suggests that the MDC has more than lived up to the promises made and the expectations of most Missourians. However, continuation of the tax has become an annual topic of debate. For some, it is a question of fiscal policy making and prudence. For others, it's political hay-making fueled by special interests that dislike government, taxation, and/or the principles of fish, forest, and wildlife conservation as practiced by the MDC. A series of articles in the Kansas City Star