

## **CHAPTER XIII: CONSERVATION DISTRICT FUNDING**

For a Conservation District to be effective in carrying out vital programs, it must be able to successfully attain the proper level of funding. District funding sources may include state appropriations, county and other local governmental appropriations, public and private grants, local income-generating projects, individuals, corporations, businesses, foundations, donations, and other sources such as fees for services. The District must commit itself to securing funding from a diversified collection of sources in order to maintain an adequate operation budget in difficult economic times.

### **Section I: Identifying Conservation District Funding Needs**

District Directors and their staff are responsible for developing funding sources for the operation of the District and for the conduct of programs focused on solving local natural resource issues. The first step in District funding is to define the District's need by examining the District's long-range Business Plan.

A properly developed and utilized Business Plan is driven by carefully identified local needs, and resultant goals and activities that the District has identified to address these local concerns. By carefully examining these planned programs, projects and activities from a budgetary standpoint, a major portion of a District's financial needs can be identified. Funding sources may vary greatly depending on the diversity of programs being developed by the District.

In addition to using the Business Plan to identify required funding for upcoming programs and activities, the plan can also be used to identify potential funding sources through cooperating partners and sponsors. Funding sources may vary greatly depending on any identified resource concern, program location or watershed, program scheduling, etc. Funding agencies, groups or organizations that may be very willing to assist on a specific project in the Business Plan may have no interest at all in funding activities outside of that one concern.

By maintaining a wide variety of funding sources, as well as by aggressively involving potential funding bodies in the identification, development, and implementation of innovative strategies to address key resource concerns, the District can better utilize potential supporters when mutual interests in local concerns exist.

### **Section II: County Funds**

The District's relationship with County government is a key factor in obtaining local funds suited to District programs that impact natural resources conservation at the local level. County government can be a powerful partner to Districts in several ways. Among them:

- Providing office space for District and cooperating agency personnel.
- Appropriating funds for District programs and operations.
- Co-sponsoring watershed projects and assuming responsibility for their operation and maintenance.
- Replacing bridges and culverts to serve as drainage outlets.
- Providing use of county-owned earth-moving equipment.
- Becoming a District cooperator by practicing conservation management on county-owned or managed land.
- Co-sponsoring RC&D projects.

#### **County Commissioner Liaison**

A good strategy for establishing effective District-county relations is to designate a member of the board as liaison between the county commissioner/administrator and the District board. The county commissioner's purpose is to not only act as conduit for communication between the county and the District, but to also serve as a strong advocate of the District to the county.

While there remains flexibility in the specific ways that the liaison may be used, some fundamental duties and responsibilities must be met. The liaison must attend all county commission meetings. In attending these meetings, the liaison will gain an understanding of the ongoing conservation-related responsibilities of the county and municipal officials. The liaison is then responsible for presenting this information to the District board.

In addition to these basic duties, the county commissioner liaison should also periodically invite local county officials to see the important conservation work the District currently conducts within the county. These invitations are important because it allows county officials to see firsthand the important role that the District plays which can potentially lead to future collaboration between the two local units of government.

The liaison must also work with District Board to identify the projects and goals within the District's Resource Needs Assessment that correlate with county goals and objectives. This information gives the liaison a sound foundation on which to build the District's advocacy message to the county. By effectively reporting these correlating conservation goals and objectives in county government meetings, the liaison creates a solid argument for requesting county funds for the District.

County government support is vital to District operations to carry out District programs. Too often county councils and/or commissioners are reluctant to extend additional funding to Districts because they are not aware of the significant federal and state dollars - as well as private funding - that a District brings into their respective county. These dollars support the local economy, improve the soil, water and related natural resources of the county and, in turn, improve the quality of life for its citizens.

### Leveraging Tool

Michigan's Conservation Districts receive financial, technical, and educational support from a number of federal and state agencies in addition to county government. They also receive direct or in-kind operational support from other public and private organizations that support the mission of soil and water conservation Districts. Due to the numerous and often diverse funding sources utilized by any given Conservation District, it can be difficult to demonstrate the contributions in conservation management that Districts make to their local communities in leveraging significant state and program dollars.

The **Conservation District Leveraging Fact Sheet** was developed by MACD to assist Districts in demonstrating the significant amount of financial support that comes into their respective county through the network of partners working with and through the District. Districts are encouraged to complete the spreadsheet and use it to present their local officials with a "bigger picture" of how their District impacts their local economy and the quality of life in the community.

A copy of the Conservation District Leveraging Fact Sheet, as well as instructions for its completion, will be available on the MACD website under "CD Business Materials" at: [http://www.macd.org/district\\_resources.html](http://www.macd.org/district_resources.html)

## **Section III: State Funds**

### General Allocation

The sources and total amounts of State funding varies annually, dependent on legislative priorities, funding formulas, and conservation initiatives and programs.

### State Grants

The **Conservation District Operations Grant's** purpose is to establish minimum requirements and to provide support for basic operations of the Conservation District. A copy of the CD Operations Grant special terms and conditions may be found in Appendix B of this manual.

The **Michigan Groundwater Stewardship Program (MGSP) Clean Sweep Grant** provides federal EPA dollars to support the proper disposal of unused, unwanted and/or banned pesticides. Clean Sweep is administered through the MDA Michigan Groundwater Stewardship Program, in cooperation with federal, county and local units of government, has been charged with establishing Clean Sweep sites located throughout the state. The Conservation Innovation Grant (CIG) The purpose of Conservation Innovation Grant (CIG) is to stimulate the development and adoption of innovative conservation approaches and technologies. CIG funds projects targeting innovative on-the-ground conservation, including pilot projects and field demonstrations. CIG grants are administered through MDA.

The **Emerald Ash Borer (EAB) Grant** provides USDA Forestry Service dollars on a competitive level for financial cost-share assistance to support local units of government responding to community level needs for tree replacement and urban forestry management activities due to losses associated with the Emerald Ash Borer.

The **Conservation Reserve Enhancement Program (CREP)** Offers federal cost-share assistance to private landowners to implement conservation practices of great significance to the state, in matters of soil erosion, water quality, and wildlife habitat. The purpose of this program is to reduce sediment, phosphorus, and nitrogen in the surface water supply of the Western Lake Erie Basin, River Raisin and Saginaw Bay Watersheds. The actions are taken to improve water quality; enhance habitat for fish and wildlife; and enhance nesting for upland birds, mammals, and waterfowl. CREP is administered through MDA.

The **Clean Michigan Initiative (CMI) Grant** provides funding to implement the physical improvements in approved watershed management plans, and to address specific sources of nonpoint source pollution as identified by the Department of Environmental Quality (DEQ). Physical improvements are structural and vegetative best management practices.

The **EPA Section 319 Nonpoint Source Program** provides federal dollars to support a wide variety of activities including technical assistance, financial assistance, education, training, technology transfer, demonstration projects, and monitoring to assess the success of specific nonpoint source implementation projects. Submit applications to the Michigan Department of Environmental Quality.

#### **Section IV: Federal Funds**

In addition to funds from State and local governmental sources, federal funds are available to Districts as well. Sources of funds from such agencies include grants (i.e. EPA Great Lakes Program and Great Lakes Commission grants); contracted services (i.e. USDA-NRCS contracted technical assistance); contracted materials, equipment, and vehicles; and numerous other opportunities useful in completing District-identified programs, projects, or services. Districts should identify specific funding needs for given conservation activities, and then match these needs against funding opportunities. For more information, contact your NRCS District Conservationist.

The **Conservation Technical Assistance Initiative (CTAI)** provides funds to Conservation Districts so that they may hire CTAI Specialists to provide information and technical assistance to private landowners to implement conservation practices. These conservation practices are funded with Federal dollars with the program administered through MDA.

#### **Section V: Other Funding Sources**

Private Grant funds are usually awarded to agencies or organizations on a competitive basis for a fixed period of time and usually for a specific purpose. Millions of dollars in grant funds are available from federal and state governments, state councils, and philanthropic private foundations and corporations. Information regarding foundations and grant sources may be found by utilizing the following internet resources:

[www.grants.gov](http://www.grants.gov)

<http://www.doh.wa.gov/hsga/ocrh/grantfunding.htm>

<http://foundationcenter.org/findfunders/>

Many private foundations and corporations however, only grant funds to entities that have an IRS 501(c)(3) non-profit status designation.

#### **Nonprofit Ineligibility**

A state or municipal entity may qualify under IRS Code, Section 501(c)(3) for nonprofit status if it is organized as a separate entity from the governmental unit that created it and if it otherwise meets the organizational and operational tests of Section 501(c)(3). Districts are political subdivisions of state government, are not organized as a separate entity from a governmental unit, and do not meet a sufficient number of the IRS Code, Section 501(c)(3) non-profit status eligibility criteria to get approved as IRS Code, Section 501(c)(3) nonprofit entities.

Although Districts are not eligible to qualify for IRS Code, Section 501(c)(3) nonprofit status, they can partner with other entities that have this eligibility, such as the Michigan Association of Conservation Districts, the USDA Resource Conservation and Development (RC&D) programs, or other nonprofits throughout the state.

#### **Tax Exemption Eligibility**

IRS Code, Section 115 specifically excludes the income of municipal governments/corporations (which includes Districts) from its definition of gross income, therefore, making Conservation Districts tax exempt. Districts are classified as municipal governments/corporations, rather than agencies of the state, for this purpose. Certain foundations and funding sources choose to award funding to organizations and agencies with this exempt status. To obtain a written determination letter of a tax-exempt status, have ready the District's federal tax identification number and contact:

Department of the Treasury  
P.O. Box 2508 Cincinnati, OH 45201  
Phone: (877) 829-5500

### Receiving Donations and Sponsorships

According to Michigan Conservation District Law Act 463 of 1998 under Sec. 9308, Conservation Districts may "Accept donations, gifts, and contributions in money, services, materials, or otherwise from the United States and use or expend the services, materials, or other contributions in carrying on the District's operations."

**Donations** are generally considered funds given to a District as a general gift or contribution, although they may be designated for specific uses by the donor.

In contrast, **sponsorships** involve a group or agency outside of the District providing some form of financial support for a specific District-coordinated activity, project, or event while not being necessarily responsible for the activity or project themselves. Both donations and sponsorships may include actual funds, services, materials, or other forms that have demonstrable value to either the donor/sponsor and/or the District.

When accepting donations, Districts should familiarize themselves with IRS Code, Section 170(c)(1), which states that "contributions or gifts to a state or any of its political subdivisions, (i.e., Conservation Districts), are "charitable" contributions for tax purposes, and are, therefore, tax deductible." Donor substantiation requirements include:

No deduction will be allowed under Section 170 of the Internal Revenue Code for any charitable contribution of \$250 or more unless the donor has contemporaneous written substantiation from the charity (e.g., the Conservation District).

The substantiation must be "contemporaneous", meaning the District must provide the donor with the written substantiation no later than the date the donor actually files a return for the tax year. There is no prescribed format, however a signed letter on District letterhead thanking the donor as well as the amount and/or items or property donated to the District should be returned to the donor upon receipt of the donation.

If the District has provided goods or services to the donor, in exchange for making the contribution, the contemporaneous written acknowledgement must include a good faith estimate of the value of such goods and services.

The responsibility for obtaining the substantiation lies with the donor, who must request it from the conservation District. However, the District should inform the donor of this requirement, as a courtesy.

Accepting Bequests Districts may accept gifts of real or personal property through bequest. Such gifts or property become the property of the District to be maintained and utilized as the District deems appropriate for its purposes or in accordance with any conditions of the bequest. Bequests containing conditions that require the District to perform functions for which it is not legally authorized for Districts should not be accepted.

### District Sales and Equipment Rentals

Many Districts offer farmers the opportunity to lease conservation equipment such as no-till and conservation tillage equipment, earth moving equipment, tree planting tools, and fencing equipment. Leasing provides resource-users the opportunity to experiment with or utilize a piece of conservation equipment without having to make a costly investment. It also can provide Districts a source of funding to further support conservation programs/activities.

With equipment leasing comes the responsibilities of maintenance and liability. Conservation Districts must maintain the equipment and make necessary repairs due to ordinary wear and tear. They may also be liable for claims arising out of bodily injury and/or property damage. Districts have the opportunity to cover this liability through an insurance policy which is offered to all Districts at a discounted rate through the Michigan Association of Conservation Districts (MACD). For additional information on liability and insurance issues, refer to *Section VII in Chapter II of this Manual*.

To ensure that leasing customers understand their responsibilities, it is suggested that Conservation Districts utilize an equipment/liability release form (See sample rental agreement provided in *Appendix F*) for these reasons:

- Liability protections for both the District and customer.
- Property damage protection for the District.
- Expediting the claim process for insurance coverage.
- Purchase and Maintenance of Equipment

Districts may own their own equipment in order to assist resource-users in carrying out operations upon their lands for the conservation of soil and water resources. It is the Director's responsibility to approve the actual purchase of the equipment and oversee its maintenance and use.

Ownership and operation of District equipment is encouraged if it is not in conflict or in competition with private contractors who do business within the District. A District should take care to only offer services that are not already satisfactorily offered by other businesses, organizations, or individuals.

Districts should keep accurate records using the Michigan Conservation District Uniform Accounting Procedures Manual on District-owned property and equipment to reflect date of acquisition, initial cost, maintenance cost, income from rentals, and depreciation schedules.

In addition, the Districts should carry adequate liability insurance on the equipment that warrants such insurance.

#### *Sale of District-Owned Property and Equipment*

When a District no longer has a need for District-owned property, equipment, or other items of real value, the District should advertise the property, equipment, etc. for sale and go through a public bid process. This insures that the item or property has the greatest chance for disposal at a fair market value for the District. If the equipment or property was obtained through a grant, the District should also explore any additional grant requirements to insure that there are no stipulations regarding the sale or disposal of the item by the District. For more information on MDA's procedures for the sale and disposal of District (public) property and equipment, refer to the Michigan Conservation District Uniform Accounting Procedures Manual.