State Funding Mechanisms for Outdoor Recreation

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OUTDOOR INDUSTRY ASSOCIATION

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CHAPTER 1:

State Funding Mechanisms for Outdoor Recreation

Outdoor recreation is a powerful economic engine, generating more than $887 billion in consumer spending in the United States. It also benefits public health, quality of life, property values, and the local tax base, generating $59.2 billion in local and state tax revenue.[1]

For more than 100 years, states have been important players in the outdoor recreation arena, managing hundreds of thousands of acres as state parks and recreation areas and helping support parks and trails at the community level. These recreational areas are as diverse as the states themselves, ranging from primitive wilderness and long-distance trails, to developed campgrounds, ski areas, and lakeshores.

Across the country, there is a clear need for new statewide funding mechanisms for outdoor recreation. Federal funding that traditionally has supported outdoor recreation at the state and local level, through programs such as the Recreational Trails Program and the Land and Water Conservation Fund, is declining and has an uncertain future.[2] In addition, parks and recreation areas in many states are facing budget cuts from state general funds.[3] While revenue from entrance and user fees are an important component in most state budgets,[4] user fees cannot self-fund agencies that struggle to keep up with operations, let alone add additional recreation infrastructure and resources to meet growing populations and increasing demand for outdoor recreation.[5]

Many states have authorized mechanisms for funding outdoor recreation, and even in an era of divisive political polarization, voters continually and strongly support measures for the outdoors.[6] Strategies are diverse and often tied to other values such as habitat conservation, farmland preservation, and cultural heritage. Previous reports have provided insights into conservation funding measures,[7] including a detailed analysis of recommendations produced by The Nature Conservancy and The Trust for Public Land in 2013.[8] A few studies have explored funding for state parks[9,10] or wildlife,[11] or examined the overall needs of outdoor recreation at federal, state, and local levels.[12]

This report draws on such previous work, but focuses on state funding mechanisms that support outdoor recreation. In Chapter 2 we provide a summary of strategies employed across the country and explore best practices for funding outdoor recreation at the state level. Chapter 3 synthesizes the benefits of outdoor recreation for state economies, public health, and quality of life. We then delve into detailed case studies to showcase different mechanisms, strategies, challenges, and lessons in seven states: Arkansas, Colorado, Minnesota, North Carolina, Texas, Vermont, and Washington.

The Outdoor Industry Association produced this report. It was researched and written by Headwaters Economics, a nonprofit, independent research organization that works to improve community development and land management decisions in the West.

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CHAPTER 2

Summary Findings and Best Practices

As demand for outdoor recreation grows, many states have developed funding programs for outdoor recreation (see a sampling in Table 2.1). Throughout the United States, voters and state legislatures have strongly supported measures for recreation and conservation, across the political spectrum and during economic booms and busts.[1,2] In fact, more than 80 percent of funding for recreation and conservation is generated at the state and local level.[3] The strategies, tools, and types of projects funded are as diverse as the states that created them, and there is no single best way to fund outdoor recreation at a state level. Many states still lack programs, however, and other state programs are not meeting current needs. Much can be learned by examining state strategies and comparing themes and lessons across state lines.

This chapter synthesizes the different strategies and programs currently employed in the U.S., and summarizes the overarching themes, best practices, and lessons learned.[4]

BALLOT INITIATIVES: A Cautionary Tale from Florida

A 2014 ballot initiative in Florida illustrates potential challenges with citizen-initiated measures and the importance of sustaining popular and political support.

Florida has a long history of funding outdoor recreation and conservation, dating back to the 1960s. From 1990-2008, the state dedicated approximately $300 million per year through the Preservation 2000 and Florida Forever programs. But in 2008, the recession and real estate market collapse caused budget shortfalls, and the state legislature did not appropriate any funding in 2011 or 2012.

Conservation and recreation groups unsuccessfully lobbied the Florida Legislature to fund the programs, finally giving up and launching a citizen petition drive for a constitutional amendment in 2014. Florida voters overwhelmingly approved the measure with 75 percent voting in favor, dedicating 33 percent of net revenues from the existing deed recording fees to a trust fund for conservation and recreation. The measure would generate $18 billion over 20 years for the Florida Forever program. It was the largest land conservation measure ever approved by voters in U.S. history.

However, the state legislature directed a significant amount of the funding to operating expenses, salaries, and benefits for state agencies, not the intended programs. In 2015, Florida Forever received just $17 million –less than 5 percent of expected funding. Litigation is ongoing.

In the case of Florida, going around the legislature and pursuing a citizen petition for a ballot initiative may have created a backlash. Where possible, working with the legislature to include a referendum on the ballot—even if it takes a long time—may be worth the buy-in and added security.

SUMMARY OF STATE FUNDING STRATEGIES & PRACTICES

State-funded outdoor recreation requires a combination of an enabling mechanism creating the program (e.g., statute or constitutional amendment) and a revenue source (e.g., appropriations, sales tax, or bonds). The most successful, secure programs link a dedicated funding source to the program from the outset.

Enabling Mechanisms

States enable funding programs for outdoor recreation in a variety of ways, including statutes that allow general appropriations on a regular budget cycle, statutes that dedicate specific revenue, and constitutional amendments (Table 2.2).[5]

In general, constitutional amendments are the most secure because they confirm state commitment and make it more difficult for legislators to borrow or divert funds. Such dedicated funding, however, can result in declines in general appropriations.[6] Some states (notably Washington, see page 43) have demonstrated success with annual appropriations.

In many states with dedicated funds or constitutional amendments, revenues bypass the general fund and are deposited directly into a protected fund. Whether a true trust fund in which principal is protected and only interest is spent, or simply a separate account, these programs enjoy greater security because funds are more difficult to borrow or divert.

No single method is immune to challenges, including diversion or borrowing by the legislature, declines in general fund revenue, economic volatility, and sunset clauses that require renewal efforts.

Table 2.1 – Selected State Funding Programs for Outdoor Recreation
(States in bold are profiled in detail in this report.)

Sales Tax	General Appropriations	Bonds	Sporting Goods Sales Tax	Real Estate Trans. Tax	Other Tax	State Lottery	Oil & Gas Revenue	State	Program	Voter Approved	Constitutional Amendment
							●	Alabama	**Forever Wild Land Trust.** Created by constitutional amendment, secures land for conservation and recreation using 10 percent of the interest earned from offshore natural gas royalties, capped at $15 million per year.	●	●
						●		Arizona	**Arizona Heritage Fund.** Voters dedicated a portion of lottery funds to conservation, access, environmental education, and recreation. Up to $10 million may be allocated by the legislature.	●	
●				●				**Arkansas**	**Natural and Cultural Resources Grant and Trust Fund.** $2.20 per $1,000 of certain real estate transactions dedicated to natural and cultural heritage programs. A portion of state sales tax is also dedicated to land conservation via constitutional amendment.		
		●						California	Various voter-approved bonds passed for conservation and recreation, totaling more than $10 billion.	●	
						●		**Colorado**	**Great Outdoors Colorado.** Constitutional amendment dedicates a portion of lottery proceeds to state parks, trails, and conservation.	●	●
				●				Florida	**Florida Water and Land Conservation Amendment.** Voter-approved constitutional amendment that dedicates 33 percent of revenue from existing Deed Recording Fee to a trust fund for conservation and recreation. See sidebar on page 5.	●	●
●	●							Iowa	**Natural Resources and Outdoor Recreation Trust Fund.** Voter-approved constitutional amendment currently unfunded. It allocates the first 3/8-cent of the next sales tax increase to a trust fund to meet natural resource and outdoor recreation needs. **Recreation Enhancement and Protection (REAP)** program enacted by the legislature in 1989 allows appropriations from lottery and state tax receipts for conservation and recreation grants and projects.	●	●
		●						Maine	**Land for Maine's Future.** Multiple bond referendums to purchase land and conservation easements for conservation and outdoor recreation.	●	
				●				Maryland	**Program Open Space.** Property transfer tax of 0.5 percent goes to funds for open space and recreation development.		

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				●				Massachusetts	**Community Preservation Act.** Communities that adopt local property tax increases can access the state matching funds. Over 160 communities have adopted the program.		
							●	Michigan	**Michigan Natural Resources Trust Fund.** Voter-approved constitutional amendment dedicates royalties from sale and lease of state-owned minerals (primarily oil and gas) to acquisition of land for conservation and recreation.	●	●
●								**Minnesota**	**Clean Water & Legacy Amendment.** Constitutional amendment expands sales tax by 3/8 of one percent for clean water, outdoor heritage, arts and cultural heritage, and parks and trails.	●	●
●								Missouri	**Parks, Soils and Water Sales Tax.** Voter-approved constitutional amendment dedicates one-eighth of one percent sales tax for outdoor recreation and conservation. It was reauthorized for the fifth time in 2016.	●	●
		●						Nevada	**Question 1 Program.** Voters authorized the state to issue bonds up to $200 million for conservation and outdoor recreation. Funds have been spent and a new measure is being explored.	●	
		●			●			New Jersey	**Garden State Preservation Trust.** Thirteen successive bonds authorized by voters for conservation and outdoor recreation. Voters passed additional constitutional amendment in 2014 that dedicates a portion of corporate business tax to land conservation.	●	●
				●				New York	**Environmental Protection Fund.** Dedicated portion of real estate transfer tax for capital projects that protect open space, parks and recreation, and solid waste.		
				●				**North Carolina**	**Parks and Recreation Trust Fund.** Seventy-five percent of real estate transfer tax (of $2 per $1,000 valuation) dedicated to parks and recreation.		
		●						Ohio	**Clean Ohio Fund.** Bonds passed by voters for brownfield revitalization, farmland preservation, green space conservation, and recreational trails.	●	●
						●		Oregon	**Local Government Grants.** A portion of lottery proceeds support grants to local governments for parks and outdoor recreation projects.	●	●
		●		●			●	Pennsylvania	Multiple programs include **Growing Greener** bonds and **Keystone Recreation, Park and Conservation Fund** supported by a 15% share of the real estate transfer tax. Revenue from and oil and gas leases on state forest land have been declining, but historically funded the **Oil & Gas Lease Fund** for conservation, recreation, dams and flood control.	●	
		●						Rhode Island	Multiple programs, primarily funded by voter-approved bonds and managed by **Department of Environmental Management**.		
				●				Tennessee	**Local Parks and Recreation Fund; State Land Acquisition Fund.** Portions of real estate transfer tax dedicated to recreation and conservation.		
			●					**Texas**	**Sporting Goods Sales Tax.** Carve-out of existing sales tax attributable to purchase of sporting goods, allocated to State and local parks.		
					●			Utah	**Outdoor Recreation Grant.** New program in 2015 that gives grants of up to $50,000 for trails and recreational amenities as economic development in local communities. Revenue is generated from transient occupancy tax.		
				●				**Vermont**	**Vermont Housing and Conservation Trust Fund.** Dedicates a portion of real estate transfer tax to projects that support affordable housing and preserve natural areas and recreation lands.		
	●		●					Virginia	Annual appropriations managed by the **Virginia Land Conservation Foundation** to acquire land for conservation and recreation projects. A portion of sales tax set aside from hunting, fishing, and wildlife-watching equipment also goes to the **Game Protection Fund** to support operations of the Department of Game and Inland Fisheries.		

Table 2.1 – Selected State Funding Programs for Outdoor Recreation

(States in bold are profiled in detail in this report.)

Sales Tax	General Appropriations	Bonds	Sporting Goods Sales Tax	Real Estate Trans. Tax	Other Tax	State Lottery	Oil & Gas Revenue	State	Program	Voter Approved	Constitutional Amendment
	●							**Washington**	**Washington Wildlife and Recreation Program.** Legislation identifies protection of lands for conservation and recreation as state priority. Funded through bonds via regular appropriations.		
				●				West Virginia	**Outdoor Heritage Conservation Fund.** Fee from deed recordings is dedicated to conservation and recreation.		
	●							Wisconsin	**Knowles-Nelson Stewardship Program.** Appropriates funding via bonds for grants that support conservation and recreation.		

Notes:

A. This is not an exhaustive list and programs listed here have an emphasis on outdoor recreation. We recognize that due to program changes the list may be incomplete. We also recognize that additional state programs focused on conservation may sometimes support outdoor recreation.

B. Much of this data is derived from The Trust for Public Land, Conservation Almanac, 2017. www.conservationalmanac.org.

Table 2.2 – Examples of Enabling Mechanisms for State Funding Programs

↓ Increasing security and reliability	Mechanism	Advantages & Disadvantages
	Statute enabling appropriation: Legislative appropriation with each budget cycle.	Can be easier to pass in short-term, but can be politicized and requires frequent, strong advocacy. Easy for legislators to borrow or reduce funding. Lack of security year-to-year. See profiles of Texas (35), Washington (43)
	Statute dedicating funds: Specific revenue dedicated in each budget cycle or for longer term.	More difficult to modify, but can be politicized. Often sunsets after a term, requiring renewal efforts. Some security year-to-year. See profiles of Arkansas (17), North Carolina (31), Vermont (39)
	Constitutional amendment: State constitution mandates ongoing funding or dedicates funding.	Can be difficult to pass, but makes state commitment clear. Requires voter approval in some states. Very difficult to change once passed, but often sunsets after a term. More security year-to-year. See profiles of Colorado (21), Minnesota (26)

Revenue Source

States use a variety of revenue sources to fund outdoor recreation programs. Current state programs range from sources dispersed across all taxpayers, to revenue from a subset of taxpayers, to user-specific taxes, to unrelated business income (Figure 2.1). As described above, dedicating revenue to fund outdoor recreation is the most secure option, no matter the source. Table 2.1 summarizes which states use each revenue source.

Revenue sources dispersed across all taxpayers, such as general appropriations and sales tax, can be difficult to access because they are in direct competition with other general fund or other statewide needs. Because health, economic, and quality of life benefits of outdoor recreation extend to all residents of a state, it is logical to distribute the cost to all taxpayers. Sales tax revenue has the added value of distributing some of the burden to out-of-state visitors.

Some argue it is unfair to use revenue sources paid by only a subset of the population, such as lottery proceeds or real estate transfer taxes. The payor may carry an unfair share of the burden of paying for outdoor recreation when many others will benefit. Still, these are popular revenue sources in many states. Participating in the lottery is voluntary, and in places affected by development, real estate transfer taxes often are paid by those who may be contributing to sprawl. Many of the revenue streams in this category are vulnerable to economic downturns, resulting in funding instability during market decline.

So far, only two states—Texas and Virginia—directly tie taxes generated by users to funding outdoor recreation (see the Texas profile on page 35). In both cases, these so-called "sporting goods sales taxes" are not additional taxes on sporting goods, but rather a set-aside of existing sales tax revenue attributable to the sale of sporting goods, as estimated from market surveys.

A few states use business income from oil and gas leases or revenue on state-owned land to support outdoor recreation. The benefit of such revenue is that it does not directly increase the burden to taxpayers. However, these revenue sources are not available to all states, can introduce environmental concerns, and they are experiencing market decline in many places. Because these revenues are not possible in all states, we do not address them further in this study.

When revenue sources affect only a subset of taxpayers or are in direct competition with other interest groups, opposition may be more likely and well-organized. Campaigns—especially those that require a vote of the public—become much more difficult and expensive when there is organized opposition.

Figure 2.1 – Who Pays Into Revenue Sources Used to Fund State Outdoor Recreation Programs

Dispersed	• General Appropriations • Bonds • Sales Tax
Subset of Taxpayers	• Real Estate Transfer Tax • State Lottery • Corporate Business Tax
Direct User	• Sporting Goods Sales Tax
Business Income	• Oil and Gas Revenue or Lease Income

See Texas profile on page 35 and Vermont profile on page 39 for examples of states that carved-out portions of existing taxes.

See Arkansas profile on page 17 and Minnesota profile on page 26 for examples of states that increased existing taxes.

Existing Versus New Revenue

States adopt different approaches when it comes to determining whether a new revenue source or an existing revenue source can be tapped to support outdoor recreation. Carving out a portion of an existing funding source can be appealing to legislators, as it is not creating new taxes and means the burden does not increase for taxpayers, but it puts outdoor recreation directly in competition with programs that might have otherwise received that revenue.

Creating a new tax can be equally problematic, especially in fiscally conservative states. Unless the new tax has a sunset horizon, it can be a heavy lift. Many states opt to add onto an existing tax, such as incremental increases in sales tax or document recording fees.

Administration and Distribution

Most statewide funding programs for outdoor recreation distribute funds to both:

- State Parks or other state agencies
- Local governments via matching grants

In every state profiled here, funding is used for land acquisition and capital improvements (sometimes including renovation of existing facilities) for things such as infrastructure, trail building, and facilities. Many states also allow funding to be used for operations and maintenance, and a few allow grant funding for programming or other unique strategies.

In most states, grant programs are administered by professional staff within a state agency. Staff often provide technical assistance to local governments, helping make projects competitive and align with program criteria. This is especially important in states with rural communities that may lack professional park or recreation planners and staff. Administration of programs is sometimes within state park agencies, but some states manage the program within a separate, stand-alone department. A few states have created new Offices of Outdoor Recreation that provide political support (see sidebar at right).[7]

Grant funding recommendations are typically made by advisory boards consisting of legislators, state agency leadership, and/or citizens appointed by the governor. States that include citizens on advisory boards generally report better success in depoliticizing funding decisions. In general, evaluation criteria established with public input help govern funding decisions.

STATE OFFICES OF OUTDOOR RECREATION

Six states – Colorado, Montana, North Carolina, Oregon, Utah, and Washington – have established high-level positions to support outdoor recreation. These offices are charged with the dual role of supporting the outdoor industry and recreation economy, and improving outdoor recreation opportunities in the state.

Their level of involvement in state funding programs varies. For example, in Colorado, there is overlap between advisory boards, but the office is not involved in grantmaking. The Utah office manages a new state grant program. In Washington, the office helps advance the appropriations process that funds recreation grants.

This recent trend—three state offices were just established in 2017 (MT, NC, OR)—may be an important tool to help elevate the importance of the outdoors for state economies, further generating new funding strategies.

BEST PRACTICES & LESSONS LEARNED

No matter which mechanism or revenue source is selected, the most successful programs incorporate common themes in establishing, designing, and administering a funding program. While each state is unique and must find its own balance between the politically possible and program efficacy, the lessons described here can apply anywhere. Existing research has summarized key themes for conservation and open space measures,[8,9] so we focus on lessons learned within programs that emphasize outdoor recreation.

Table 2.3 – Best Practices & Lessons Learned	
Cast a Wide Net	
Broaden the mission beyond outdoor recreation	While inviting other interest groups to the table may seem like less of the pie for outdoor recreation, it often means a slice from a bigger pie. Incorporating other values tied to statewide quality of life—such as habitat conservation, farmland preservation, cultural heritage, arts, and affordable housing—can broaden the base of supporters, make new or expanded taxes more palatable, and build a coalition of supporters to keep the funding secure in the future. More importantly, aligning the benefits of outdoor recreation with other critical statewide needs can make the resources go further and create a bigger benefit for your state. *Case studies: Arkansas, Colorado, Minnesota, Vermont*
Diversify partnerships and build coalitions	Building a strong, diverse team of advocates from nonprofits, businesses, and local communities will benefit not only the passage of the measure, but also help thwart future threats or challenges to the measure such as legislative tinkering or competition from other interest groups. Establishing strong coalitions that support the funding ensures long-term success and accountability, and can help sustain popular and political support. *Case studies: Colorado, Minnesota, Washington*
Leverage threats into opportunities	Many statewide funding programs originated as a response to threats such as declining federal grants or general fund revenue, increasing development pressure, or rapidly growing populations. Timely external factors can help justify the need for a state to take action and create an opportunity to catalyze partners and deploy creative strategies. *Case studies: Arkansas, Colorado, North Carolina, Vermont, Washington.*

Voters become program stewards	While creating a program legislatively may be easier in some ways than a ballot initiative, voter-approved measures often enjoy longer-term stability. (They are also required in some states for some measures, such as bonds and constitutional amendments.) Voters—once educated about the program during the campaign—can become advocates and stewards. They may be more likely to monitor successes and engage in the program. They will watch to ensure funding is spent as intended, and help hold legislators accountable. Once they start enjoying the benefits of the program spending, they are also more likely to renew the measure in the future, if needed. *Case studies: Colorado, Minnesota*
Address All Needs	
Fund a range of opportunities:	Limiting a program to fund only one type of project—such as acquisitions--hamstrings a state, especially in the face of external factors such as shifting federal funding priorities, economic volatility, and climate change. Nearly all states feel a tension between funding capital improvements and operations. Avoid prescribing percentages or dollar amounts so that the program can adapt to changing needs.
• Capital acquisitions & improvements	Capital projects are the most expensive and generally the greatest area of need, especially in states with growing populations. Acquisitions should go beyond the purchase of land to include infrastructure development, renovation of existing facilities, and physical improvements to develop quality outdoor recreation venues. *Case studies: Arkansas, North Carolina, Vermont, Washington*
• Operations & maintenance	As states add new outdoor recreation infrastructure and as visitation increases, demand for long-term operations and maintenance can overwhelm state resources and make it hard to care for what is already acquired. New funding for operations and maintenance does not generate the same excitement and enthusiasm as new projects, but it is an ongoing, increasing need. Consider allowing some portion of funds to support operations and maintenance so that resources are stewarded in the long-term. *Case studies: Colorado, Texas*
• Programming & unique strategies	As the U.S. becomes more urban[10] and more ethnically and racially diverse,[11] the country's needs for outdoor recreation will change. Addressing transportation, language, cultural, and educational needs helps provide opportunities for all residents to participate in outdoor recreation. Programs should allow funding to support creative approaches such as multi-generational educational programming, gear lending libraries, communications and marketing, and public transportation to recreation venues. *Case studies: Minnesota, Texas, Colorado*
Incorporate demographic and geographic diversity	To create the best program for your state, engage communities of all sizes and sophistication in every county. Listen to individual community needs to understand their priorities and find ways for all communities to benefit. Identify the needs and benefits for local economies, quality of life, public health, and local capacity, in addition to statewide priorities and goals. Not only will this create the most sustainable, beneficial program, it will also garner political will from voters and legislators. Consider designing the program to meet unique needs, such as: • **Rural or small communities.** Often lacking funding capacity, these communities benefit from reduced or waived match requirements. They may also lack professional capacity and require additional technical assistance in grant writing and project design. • **Metropolitan communities.** Urban needs can be more expensive because of infrastructure challenges, the cost of resources, and meeting the needs of larger populations. • **Vulnerable populations.** Providing outdoor recreation opportunities to vulnerable populations may require different strategies such as programming, cultural and language customization, and transportation support. Allow flexibility to fund these needs. *Case studies: Arkansas, Minnesota, Texas, Washington*
Build Security & Leverage More	
Leverage matching funds:	Creating a statewide funding program for outdoor recreation that requires some form of cash match (for at least some grants) can unlock access to local and federal funds, leveraging the state investment into a greater benefit.
• Locally	In many places the creation of a statewide matching fund incentivized the creation of local funding sources, such as local sales tax or bonds. Once local funding sources are developed, additional projects may be generated, furthering outdoor recreation in the area. Once committed with their own funding program, local communities may be more committed and help advocate for the statewide funding program when threatened. *Case studies: Colorado, Washington, North Carolina*
• Federally	Most states use their statewide funding source to match federal programs such as the Land and Water Conservation Fund (LWCF) and Recreational Trails Program (RTP), helping local communities take advantage of these federal programs. As the future of LWCF and RTP are in question, statewide funding can also help offset these declines in federal sources and create vocal advocates to continue the federal funding programs. Several states have also adopted LWCF standards for their grantmaking, streamlining the application process and eliminating the need to develop an entirely new architecture for the statewide grant program. *Case studies: Arkansas, Texas*

Incentivize planning to improve projects and achieve statewide goals	Many states use funding programs to help with recreation planning at both the local and state level, and several states incentivize planning by ranking higher those projects with master plans or alignment with statewide plans. Including planning requirements can slow down the application process, but it results in better, more sustainable projects. In some places, experts in the statewide program support local programs with technical assistance, helping make projects stronger. Many states also incorporate statewide goals and priorities (for example, from the LWCF-required Statewide Comprehensive Outdoor Recreation Plan (SCORP)) into evaluation criteria to ensure that funded projects further the statewide vision for outdoor recreation. *Case studies: Colorado, Minnesota, North Carolina, Washington, North Carolina*
Accountability and Transparency Add Stability	
Measure and mark accomplishments	Whether the state funding program is perpetual or will need to be renewed, monitoring and acknowledging accomplishments helps ensure that taxpayers know what their dollars are supporting. Many states use websites, interactive maps, and searchable databases to ensure transparency about where funding has been directed, but users must seek this information. Feeding users information with on-the-ground notations, such as signage and marketing materials, makes it easy for the public to understand the direct benefit of the funding on their outdoor recreation experience. A deeper understanding of these benefits helps ensure that users will advocate for protection of the funding should it be threatened. *Case studies: Colorado, Minnesota, Washington*
Go grassroots from start to finish	From the creation of the measure to program design and project prioritization, inclusion of citizens from diverse communities in the state helps ensure that projects meet the public's expectations and needs. Citizens can be involved in advisory committees at every level of the program and help state agency staff design and administer a program that generates results on the ground. Citizen engagement also adds transparency to the decision-making so the public knows their investments are being watched by people outside legislative politics. *Case studies: Washington*

FURTHER IDEAS FOR STATE FUNDING PROGRAMS

While the ideas and stories captured in this report showcase what states have done so far to fund outdoor recreation, several additional options are worth noting as supplemental sources of funding, or as novel strategies that can be adapted and expanded to fund outdoor recreation at the state level.[12]

- **Licenses and Fees.** In most states, licenses and user fees are an important component of funding outdoor recreation. Revenue comes from sources such as park entrance fees, campground fees, activity fees, specialty license plates, specialty vehicle registration fees (such as boats, off-road vehicles, and recreational vehicles), hunting and fishing licenses, and special event permits. The most successful state programs ensure that such fees are secure from borrowing and held separately from general fund revenues in a trust fund or enterprise account.

  However, these funds tend to be relatively small, supporting only a portion of the state's outdoor recreation budget. They do not create enough revenue for larger capital expenditures such as land acquisition or major park improvements. Charging entrance and user fees can also pose market-based challenges. When charged a fee, users have a higher expectation for the amenities and services provided. Where maintenance backlogs exist or services are not competitive with other locations (such as neighboring states, private resorts, or national parks), users are less likely to participate. These revenue streams are also limiting because of discrepancies in funding amounts and timing. The actual cash generated may be different than what is estimated and appropriated; a cash shortfall would mean there is not enough funding for planned expenditures by state agencies.

- **Philanthropic partnerships.** Most state parks enjoy philanthropic (and political) support from nonprofit "friends" groups or state park foundations. While these partnerships may offer some relief, they are unlikely to offset the burden and responsibility of tax-based funding, as they simply do not generate enough revenue to meet demand. However, partnerships can add value both financially and through public awareness and political support.

  Some places are experimenting with innovative philanthropy through consumer opt-in practices. For example, the National Forest Foundation has created a Ski Conservation Fund[13] to which ski areas and lodges give their guests the option of making a voluntary donation to support stewardship projects on the national forest land where the ski area is located. Ski resorts in Arizona, Colorado, Washington, and Wyoming have generated financial support for local trail and forest restoration projects. In Montana, the Travelers for Open Land program similarly gives tourist- and outdoor-focused businesses the opportunity to invite clients and customers to round-up their bill.[14] The donated funds, managed by a nonprofit organization, are disbursed through competitive grants for conservation projects across the state.[15]

- **Business & Corporate Partnerships.** Some areas are experimenting with privatization of concessions or corporate sponsorships of specific amenities. Privatization of campgrounds, golf courses, and ski areas is common, and can reduce costs for the state. Corporations have sponsored specific expenditures (such as uniforms) or venues (such as amphitheaters) in several states, such as California and Georgia, but overall this approach has not generated significant amounts of funding.

- **Special Tax Districts.** Other creative approaches from metropolitan regions may offer unique ideas for state programs.[1]6 Special tax districts such as Tax Increment Financing, Business Improvement Districts, and Special Park Districts offer new ways of funding infrastructure improvements for a select area, where permitted by state law. They are unlikely to be available across an entire state, but may help create regionally-focused funding to supplement state needs.

- **Economic Development Strategies.** With outdoor recreation representing a growing and significant economic driver in the United States, linking investments in outdoor recreation to economic development strategies may become an increasingly productive strategy. A few examples include:

  — **Redevelopment Projects.** Leasing state-owned assets unrelated to outdoor recreation may work for some states. For example, San Antonio, Texas recently approved a redevelopment partnership at Hemisfair – a former World's Fair venue. While the city will retain fee ownership of the property, it will lease the rights for real estate and hotel development on some portions of the property, maintaining the remainder as parkland. The developers will pay the city a lease for development of hotels, apartments, and retail space, as well as a portion of any rents received. Through the project, the city will be able to expand the acreage devoted to parkland, redevelop an urban destination, and generate enough revenue to make the park self-sustaining by 2021.[17] Such a strategy could work where state-owned resources would not be negatively impacted by development or where development concepts are synergistic with outdoor recreation.

  The federal New Market Tax Credit program provides private investors with a federal tax credit when they invest, via community development organizations, in projects that benefit underserved areas such as low-income neighborhoods and rural communities. Projects include economic development improvements that grow businesses and sustain jobs, but also often include parkland and greenspace. Expansion or focus of new market tax credits to focus on park projects could support statewide outdoor recreation goals.

  — **Sale of Tax Credits.** The sale of tax credits to generate revenue is a strategy to stimulate economic development in industries such as film and energy, and could be expanded and adapted to include outdoor recreation. For example, the Oregon Production Investment Fund (OPIF) raises funds by auctioning tax credits. Through an online bidding system, Oregon tax payers can pay a cash contribution to OPIF, the value of which must be equal to at least 95 percent of their tax credit. (For example, if you successfully bid on a tax credit, you then contribute $95 to OPIF. You will then receive a tax credit of approximately $100, simply wiping that amount off your state income tax bill.) OPIF uses the revenue generated to provide cash rebates to qualifying film productions. The legislature caps available tax credits; 2017 is slated to be capped at $14 million. In 2015-16, the program generated more than $169 million in film production spending in Oregon, along with thousands of jobs.[18]

  A similar system of tax credits could be developed for outdoor recreation. Revenue could be generated through the sale of tax credits, funding outdoor recreation projects that meet economic development goals proposed by local governments and nonprofit organizations.

  Such a system may be somewhat complex to administer unless somehow linked with an existing tax credit system. Critics of the Oregon system point out that the state loses tax revenue to benefit the wealthiest residents, who tend to be the ones bidding on tax credits, costing all taxpayers.

- **Natural Resource Trust Funds.** Using severance taxes from oil, gas, minerals, timber and other natural resource extraction to create natural resource trust funds is another option for states. Taxes or lease revenues are deposited into trust funds held separate from general fund accounts, and investment income is used to restore natural resources and provide recreational access. While some may argue that returning extraction funding to support the outdoors is just and fair, it also ties the success of funding programs to the success of extraction, which is subject to market volatility beyond a state's control.

CONCLUSION

States take diverse approaches to developing funding programs for outdoor recreation, and much can be learned from successful state programs such as the seven profiled here. Any design is subject to challenges, but the strongest programs tend to have:

- Dedicated revenue through constitutional amendment or statute;
- Broad coalitions of support;
- Flexibility to fund diverse geographies, community types, and project outcomes;
- The ability to leverage funds and statewide goals; and
- Strong public engagement and accountability throughout the process.

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CHAPTER 3

Value of Outdoor Recreation

Outdoor recreation benefits more than just those enjoying the trail, river, and park. As states and their communities compete for new businesses, residents, and visitors, many are recognizing the value of outdoor recreation for their economies, health, and quality of life.

This section describes the different ways in which communities have benefited from outdoor recreation. When states evaluate their priorities for public investment, these findings can help them to decide whether investments in outdoor recreation could help them reach their goals for economic development and quality of life.

ECONOMIC IMPACTS

Outdoor recreation acts as an economic driver by bringing in revenue through tourism, fostering growth in outdoor recreation industries, and helping to recruit and retain businesses and workers. Three states—Colorado, Utah, and Washington—have recognized the potential value of these industries and established offices of outdoor recreation as economic development initiatives. Several more states are actively working to establish similar offices.

Outdoor recreation affects state economies in three main ways:

First, high quality, unique outdoor recreation attracts visitors to the state, leading to increased revenue, employment, and income for businesses supporting tourism such as lodging, restaurants, and guiding services. Tourism's effect is not limited to tourism-related businesses alone. As the owners and employees of local tourist-oriented businesses spend their income in the community, the effect of those original dollars is multiplied as it supports a broader range of businesses.

Across the United States, in 2017 the Outdoor Industry Association estimated the industry is responsible each year for 7.6 million direct jobs and $887 billion in consumer spending. This spending benefits businesses and employees as well as local and state governments, generating $65.3 billion in state and local tax revenue, as well as $59.2 billion in federal tax revenue.[1]

For example, in Wisconsin, tourism from bicycling alone contributes $309 million to the state's economy.[2] In Maine, tourism associated with snowmobiling contributes $267 million to the state's economy.[3]

Second, the outdoor recreation industry—including retailers, engineers, and manufacturers—includes many economic sectors, contributing to a more diverse economy and opportunities for well-paid professional jobs. The places that can support outdoor recreation businesses often are those that have the parks, trails, and open space to attract the avid users who are the customers and employees for these businesses.

Jim Klug of Yellowdog Flyfishing—a fly fishing travel business based in Bozeman, Montana—says, "Basing our headquarters in Bozeman has allowed us to hire, recruit and attract the very best employees and team members. Our business is stronger and more profitable (contributing more jobs and tax dollars to the local and state economies) because of the outdoor opportunities, lifestyle and access that Montana offers."[4]

Third, as states and communities compete for employers and their employees, quality of life resources like outdoor recreation are a valuable recruitment tool. As economist Enrico Moretti found when asking why some places are prospering while others are not: "In the twentieth century, competition was about accumulating physical capital. Today it is about attracting the best human capital."[5]

Business and worker recruitment is necessary in communities of every size, but it is more critical in rural places with limited economic opportunities. Research has demonstrated that community characteristics that improve quality of life—like scenic beauty, low crime, and recreation opportunities—are particularly important for recruiting businesses and entrepreneurs to rural places, allowing them to capitalize on natural assets.[6] At a time when many rural communities are looking for strategies to sustain their population and provide economic opportunities for young people, investments in outdoor recreation must be considered.

PUBLIC HEALTH

The value of outdoor recreation is measured not just in employment and income, but also in improved health and avoided health care costs for residents. Avoided health care costs can be significant: in Michigan, for example, commuting by bicycle helps residents avoid $263 million in health care costs per year.[7]

As the chronic health problems related to obesity continue to rise across the U.S., many communities have found that investments in parks and trails are cost-effective strategies to help their residents be more active. In Lincoln, Nebraska researchers estimate that every $1 invested in trail construction yields approximately $1.94 in avoided health care costs.[8]

Researchers also have found that encouraging residents to walk on local trails is a cost-effective means of improving health. For every newly active Morgantown, West Virginia resident, costs per person to build the trail were less expensive than many other health interventions aimed at encouraging more active residents. Additionally, trail-based programs are more likely to reach more people that other common health interventions.[9]

Public health research has demonstrated that the closer people live to parks and trails, the more likely they are to use them. In rural, southeastern Missouri communities, researchers found that walking trails are associated with the greatest increase in exercise for those most at risk of being in poor health: those who were not already regular walkers, have a high school education or less, or who earn less than $15,000 per year.[10]

Statewide programs can play a particularly vital role by ensuring that all people, not just those living in well-funded communities, have access to outdoor recreation and the health benefits they provide. Some state programs, like Great Outdoors Colorado's Connect Initiative, have begun using statewide funding for outdoor recreation to eliminate barriers to outdoor recreation.[11]

QUALITY OF LIFE

While difficult to measure, improved quality of life from access to parks and trails provides opportunities for social connection and safe places for recreation and commuting. When residents use trails frequently, they become an integral part of community life and contribute to a community's identity.

In Whatcom County, Washington, 95 percent of long-time residents—many of whom are mountain bikers, hikers, and trail runners—reported that trails are important to their decision to stay in the area.[12]

Research also finds that spending time and exercising in nature provides social benefits by providing opportunities to see neighbors, meet friends, and develop community pride. In Bloomington, Indiana, residents who live near a community trail describe meeting neighbors and visiting over back fences and recreating with friends, neighbors, and family among their favorite aspects of the trail.[13]

In Methow Valley, Washington, one-third of residents ranked recreational opportunities as the top reason why they moved to the area. Ninety-three percent of residents reported that the trail network was either the most important (63%) or an important (30%) factor in their decision to purchase real estate in the valley.[14]

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Arkansas Natural and Cultural Resources Grant and Trust Fund

SUMMARY

One of several state funding measures in Arkansas for conservation and recreation,[1] the Arkansas Natural and Cultural Resources Grant and Trust Fund authorizes the collection of a tax on the transfer of certain real estate in the State of Arkansas. A portion of the revenue is dedicated to the acquisition, management, and stewardship of land for recreation and conservation purposes. In total, these funds have supported almost $165 million for outdoor recreation in state and local parks since 1987. Most funds are distributed and overseen by the Arkansas Natural and Cultural Resources Council.[2]

FUNDING TYPE

In 1987, the Arkansas State Legislature passed Act 729 (Arkansas Code Annotated §15-12-101 through §15-12-103) authorizing the collection of a new real estate transfer tax of $2.20 per $1,000 in the value of certain real estate transactions. (In 1996, Arkansas also passed a constitutional amendment that raised the general sales tax by 1/8th of one cent, with revenue dedicated to conservation and parks. The remainder of this report will focus on the real estate transfer tax.)

Since it is levied on most real estate transfers, funding has typically increased annually except for a dip following the recession in 2008. Although the dollar amount on each property transfer is a small part of the total transaction, the tax adds up to substantial sums each year. For example, 2017 allocations included just more than $3 million for local parks and $6.2 million for State Parks.

SNAPSHOT

Created in 1987

Real estate transfer tax dedicates $2.20 per $1,000 of certain real estate transactions to natural and cultural heritage programs

Funded more than $9 million in outdoor recreation in Fiscal Year 2017

Key factors of success:

- Dedicated funding through statute ensures reliability
- Support to rural and underserved communities helps distribute benefits of outdoor recreation

Funds are divided three ways:

- Eighty percent are deposited into the Arkansas Natural and Cultural Resources Grant and Trust Fund (ANCRGTF), which is "managed for the acquisition, management and stewardship of State-owned lands, or the preservation of State-owned historic sites, buildings, structures or objects" of value for recreation or conservation purposes. An average of 37 percent of the ANCRGTF has been granted to Arkansas State Parks each year.
- Ten percent of the real estate transfer tax revenue is deposited into the Parks and Tourism Fund Account, to be used by the Department of Parks and Tourism for making Outdoor Recreation Grants to cities and counties.
- The remaining ten percent helps the Natural and Cultural Resources Historic Preservation Trust Fund to fund the operation of the state historic preservation program.

The remainder of this report focuses on the ANCRGTF and the Parks and Tourism Fund, as they are directly tied to outdoor recreation.

PROGRAM ORIGINS

The Arkansas Legislature created the real estate transfer tax in the late-1980s after recognizing that federal funds for outdoor recreation (especially through the Land and Water Conservation Fund) and historic preservation were declining. The original legislation creating the tax passed in 1987, and the tax was increased in 1993.[3] The tax was widely supported as a novel way to support management and improvements of state-owned natural and cultural resources.

FUNDING ALLOCATION AND ADMINISTRATION

Arkansas Natural and Cultural Resources Grant and Trust Fund

The Arkansas Natural and Cultural Resources Grant and Trust Fund receives 80 percent of real estate transfer tax proceeds and is governed by the Arkansas Natural and Cultural Resources Council (ANCRC). ANCRC uses the funds to award annual grants to eligible state agencies. To be eligible for ANCRC grants, state agencies must receive general revenue funding and be authorized by law to acquire, manage, operate or maintain state-owned lands for recreation or conservation purposes. Applicants include Arkansas State Parks, historical sites, colleges and universities, and the Arkansas Forestry Commission.

Arkansas State Parks receives funds annually, and since 1989 has received more than $125 million, ranging from a low of $350,000 in the program's early years to a high of $8.1 million. The share of available funds that goes to State Parks depends on available funds and competing proposals, but State Parks typically receives 30-40 percent of available funds each year. In the last five years, allocations to State Parks average $5.7 million per year.

Arkansas State Parks typically submits a consolidated proposal that combines its prioritized funding requests across all properties and projects. State Parks does not generally receive its full request; for example, its 2018 request was slightly more than $12 million, but it received $6.8 million in funding.

Grants fund acquisition projects as well as management, stewardship, restoration/renovation, improvements, and programming. There is no match requirement and no maximum grant limitation. Some projects include multiple phases.

ANCRC staff review the proposals for completeness and then forward them to the 11 Council members. Four are appointed by the Governor to represent rural areas, urban areas, counties, and towns. One member is appointed by the Speaker of the House of Representatives and one by the President of the Senate. The remaining five members are: the Chairman of the Arkansas Natural Heritage Commission; the Chairman of the Arkansas Parks, Travel, and Recreation Commission; the Director of the Department of Arkansas Heritage; the Director of the Arkansas Department of Parks and Tourism; and the Commissioner of State Lands.[4]

The ANCRC hosts an annual funding meeting where applicants can make a presentation about their proposal. ANCRC members evaluate proposals based on review criteria, including: the presence of natural resources, recreation potential, archeological and historic features, susceptibility of the resources to degradation, manageability of the land, location, and cost. Priorities are guided by the Arkansas Statewide Comprehensive Outdoor Recreation Plan.[5] Projects are awarded funding at the annual meeting after an open, transparent, and collaborative discussion with the applicants and Council.[6] In addition, the ANCRC reserves some funding each year for emergency grants to address unanticipated opportunities.

Parks and Tourism Fund Account

Ten percent of the real estate transfer tax is dedicated to the Parks and Tourism Fund, which is then granted to local governments through the Arkansas State Parks Outdoor Recreation Grants Program. The program also manages the state-side Land and Water Conservation Fund (LWCF), and they have adopted LWCF's rules and regulations for Parks and Tourism Fund grants.

The Outdoor Recreation Grant program accepts applications annually. Eligible applicants include cities, counties, unincorporated areas or communities (which require county sponsorship), and school districts. Grants of up to $250,000 are awarded and require a match of 50 percent, which can include volunteer labor and in-kind support. Eligible projects include construction of outdoor recreation facilities and land acquisition such as areas for water-based recreation, floodplains and wetlands, scenic and natural areas, and urban lands for parks and sports facilities.

Arkansas also grants a total of $450,000 each year through its Fundamentally Underserved Neighborhood Parks (FUN Parks) program, which gives grants of up to $45,000 to smaller municipalities and communities that cannot meet the matching requirements.

Program officers make site visits to each community and provide technical assistance in the project design. Program officers then rank projects based on scoring criteria that include whether the project increases the diversity and opportunity of recreation activities, whether it serves an underserved area, the degree of public outreach and minority engagement, whether the project is ready to implement, the entity's history of project compliance and maintenance, and the amount of cash match secured.[7]

The entities with the highest-ranking projects are invited to give a presentation to the Outdoor Recreation Advisory Committee, consisting of five individuals appointed by the Governor for terms coinciding with the gubernatorial term. Out of the five members, there must be geographic representation from each of Arkansas' four congressional districts, two members from municipal governments, and two members from county governments. Committee members are typically parks and recreation professionals or local government elected officials. The Committee evaluates the proposed projects and recommends funding, which is then authorized by the Director of State Parks.

SUCCESSES

Arkansas spends $28-32 per capita on conservation and recreation, well above the national average of $6.29 per capita,[8] and the real estate transfer tax contributes significantly to this investment in outdoor recreation. The statutory dedication of a portion of the real estate transfer tax to parks has resulted in long-term financial stability for outdoor recreation programs and agencies. While there is some variability in the annual funding amount with fluctuations in the real estate market, funds have continually increased over time from a low of just under $2 million to more than $19.5 million in 2017, and the need to advocate with the legislature to keep the funding secure has been minimal because of the program's long history and strong and diverse advocates.

The program was also designed with two forward-thinking fiscal components. First, the ANCRC operates on a cost basis, rather than by projections of revenue. The ANCRC can write a check for funds as soon as grants are awarded, rather than relying on revenue projections. This adds credibility and dependability to the program. Second, statute allows the ANCRC to set aside funds into a trust fund, managed by the State Treasury, where the corpus is untouched and investment income can be used for grant purposes. The bylaws of the ANCRC require one percent of each year's real estate transfer tax revenue to be set aside. Since the 2008 recession, these investments have been quickly reinvested in grants, but the accumulation of investments helped bridge funding gaps during the recession.

CHALLENGES

As with many states, the need for funding continually outpaces the available revenue and competition for resources is increasing. In Arkansas, there have been few direct challenges to the real estate transfer tax, but occasionally interest groups pursue changes to the legislation to try and broaden the recipients of the real estate transfer tax. For example, in 2017 there was an attempt to divert some of the real estate transfer tax to affordable housing initiatives, but the legislation died in committee, in part due to a substantial outcry from park and heritage advocates.

In the mid-2000s, the ANCRC's trust fund balance surpassed $16 million and began to attract attention from legislators and others trying to find revenue during the recession. In 2008 and 2009, the ANCRC made the decision to give substantially more in grants than in other years - $25.8 and $24.7 million, respectively. This helped smooth cash flow troughs during lean revenue years, and helped ensure the saved trust funds went to the intended purposes and couldn't be diverted to other uses.

During the beginning of the program, the real estate community was skeptical about the tax, as it affects their customers and they must educate clients about the tax during real estate transactions. However, the tax is a one-time payment that is a very small amount of the overall real estate transaction, and the benefits extend to everyone. Polls and public opinion surveys show that Arkansans appreciate the return on investment.

LESSONS LEARNED

Statutory dedication and trust funds add security—but not completely.

The statute authorizing the real estate transfer tax requires the funds be treated as special revenues and credited to specific accounts for the intended purposes. This eases concerns that funds will be redirected by the Legislature, and the dependability of the funding creates credibility. Advocates and agencies do not have to expend as much time and resources campaigning for appropriations during each legislative session because the funding is automatic. However, the increasing revenue from the real estate transfer tax has drawn attention, and the accumulation of a large trust fund balance became a target when general revenues were down. Other interests have occasionally introduced legislation that would change the statutory dedication, and such efforts are not likely to abate.

Rural and underserved communities need special support.

Nearly half of Arkansas' population lives in rural (non-metro) communities.[9] The technical assistance provided by the Outdoor Recreation Grants staff allows smaller communities that do not have dedicated parks staff to compete for funding and execute reputable projects. The FUN Parks program also creates the ability for communities without matching funds to complete important park projects.

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END NOTES

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Colorado State Lottery and Great Outdoors Colorado (GOCO)

SUMMARY

Outdoor recreation funding in Colorado is financed primarily through state lottery proceeds which are split between three categories: state parks, a fund allocated to communities on a per capita basis, and a competitive grant-making program for communities and nonprofits. Total proceeds from the lottery in 2016 were $143 million and have averaged $124.7 million annually over the past 10 years.[1]

A constitutional amendment passed in 1992 has given the lottery security and some degree of predictability, but the success of the lottery-based funds may have contributed to the gradual elimination of funding for state parks from general revenue. Funding also comes from user fees, severance taxes, local bonding and sales taxes, and private donations.

SNAPSHOT

Created in 1992

Annual funding amount determined by total lottery proceeds, up to an inflation-adjusted cap

Funding has averaged $125 million over the past decade

Funds open space purchases, trails, state parks, and local parks

Non-motorized planning, education, construction, and maintenance projects in state and local parks and trails are eligible

Key factors of success:

- Complementary funding mechanisms for ongoing operations and special projects
- Spurred increased local capacity for fundraising
- Wide ranging projects have served all counties
- Transparent, fair administration by independent agency
- Flexible requirements for rural or underserved places

FUNDING TYPES

The State of Colorado uses funding primarily from its lottery to fund outdoor recreation.

Lottery proceeds are distributed across three conservation and recreation beneficiaries annually:

- **Colorado Parks and Wildlife (CPW)** receives ten percent, to be used to support recreation and wildlife habitat enhancement in state parks;
- **The Conservation Trust Fund (CTF)** receives 40 percent, which is distributed to counties and municipalities according to population; and
- **Great Outdoors Colorado (GOCO)**, a state-run program, receives 50 percent of lottery proceeds, up to an inflation-adjusted cap of $64.5 million). If lottery proceeds exceed this cap, they are distributed to the Colorado Department of Education's Public School Capital Construction Assistance Fund.

In 2016, Colorado Parks and Wildlife received $14.3 million, the Conservation Trust fund received $56.9 million, GOCO received $63.7 million, and the Department of Education received $8 million.

Colorado also generates funding through user fees, severance taxes, local bonding and sales taxes, and private sources. Entrance and camping fees for state parks users make up 30 percent of state park budgets ($22.4 million in FY2014), the second largest share after lottery proceeds.

A severance tax on oil and gas revenue is used to "operate, maintain, and improve state parks in regions of the state where production activity is occurring."[2] Up to five percent of revenue from the severance tax can be used for these purposes, which amounts to approximately seven percent–$5.3 million–of the state parks' total budget in FY2014.[3]

GOCO grants are available only to non-motorized projects. Motorized recreation projects are funded largely through registration fees on boats, OHVs, and snowmobiles, which amounted to $8.8 million in FY2014-2015.[4]

Local sales taxes and bonds, specialty license plates, and private fundraising also are used to support parks and trails around the state.

While there are several funding sources in the state, the remainder of this case study focuses on lottery proceeds as the largest single source.

PROGRAM ORIGINS

In the late 1980s and early 1990s many Colorado communities were facing rapid population growth and sprawl for the first time, changing the landscape and increasing the number of people using parks and trails. In response, Governor Roy Romer and Ken Salazar,[5] the executive director of the Colorado Department of Natural Resources, created a Great Outdoors Colorado citizens' committee that included conservation, business, and political leaders. The committee recommended the state establish a trust fund to pay for sustaining the state's natural resources.

In 1992 a ballot initiative to add the Great Outdoors Colorado Amendment to the state constitution was passed by 58 percent. Prior to the constitutional amendment, lottery proceeds were supposed to go toward conservation purposes but often were reallocated to other needs. Because the amendment is in the constitution, another constitutional amendment would be required to change how these funds are allocated.

The Colorado Lottery itself will be up for reauthorization in 2024. GOCO is not up for reauthorization or review, but its future funding depends on the lottery.

FUNDING ALLOCATION AND ADMINISTRATION

Allocation of Lottery Proceeds

The three main beneficiaries of lottery proceeds play three distinct and complementary roles in outdoor recreation in the state.

The ten percent of lottery proceeds that go to Colorado Parks and Wildlife typically are used for all aspects of operation and maintenance at state parks, as well as system-wide programs such as #FreshAirFriday, when admission to all state parks was free the day after Thanksgiving in 2016.

The Conservation Trust Fund receives 40 percent of lottery proceeds. Funds are distributed to counties, municipalities, and recreation districts on a per capita basis, providing a relatively steady stream of funds that many recipients use for ongoing operation and maintenance of local recreational resources like ballfields, skate parks, and trails.

GOCO receives 50 percent of lottery proceeds and awards grants to special projects and programs to support non-motorized recreation at state parks and other public places. GOCO also has the ability to support statewide initiatives through targeted grant-making, such as efforts to connect low-income residents to parks.

Together, these three funding sources provide steady revenue for ongoing programs and maintenance, as well as opportunities to pursue bigger capital projects or short-term programs.

The following section focuses on GOCO as the largest, most flexible, and high profile funding source in the state.

GOCO in Detail

GOCO distributes grants to state and municipal parks, local governments, and nonprofits. GOCO is administered by a 17-member board, appointed by the Governor, that represents all state congressional districts, user groups, urban and rural communities, and political parties. The GOCO program is audited and adheres to public agency standards such as open records and public meetings rules.

GOCO grants can be used for a wide range of activities supporting non-motorized recreation, including construction, planning, maintenance, and education. GOCO also funds Youth Corps programming throughout the state that supports projects such as construction and maintenance of trails, fire mitigation, and invasive species removal. The board allocates grants equally to four program areas:

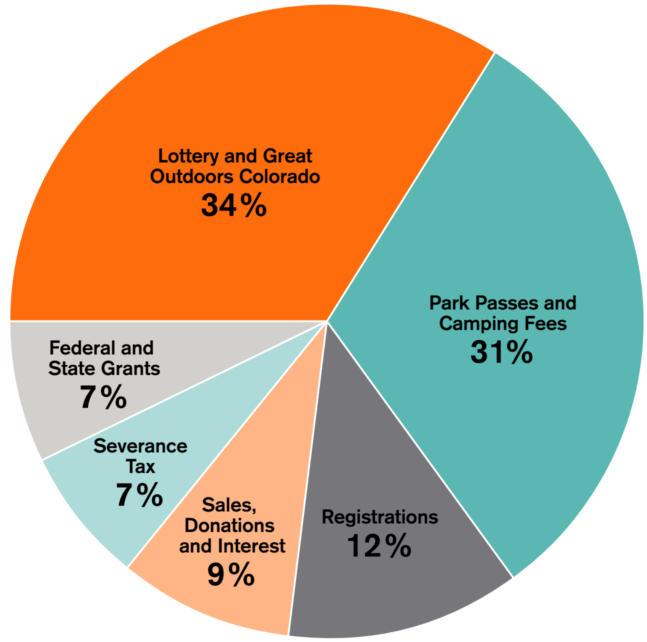
- **Wildlife:** Habitat acquisition and restoration, non-game species preservation, wildlife watching, and youth education;
- **State Parks:** Trails, facility construction and improvement, land acquisition, and youth education;
- **Open Space Protection:** Competitive grants to state and local governments and nonprofits that fund fee-title and conservation easement purchases; and
- **Open Lands and Parks:** Competitive matching grants to local governments to acquire, develop, or manage open lands and parks.

In addition to these four program areas, GOCO has solicited grant applications for several targeted initiatives such as projects aimed at reducing childhood obesity rates, connecting people to parks in their neighborhoods, and helping people overcome barriers to access to the outdoors. These initiatives were developed in response to public meetings around the state during which participants identified their greatest needs.

GOCO grants require 25 percent match for most programs, although some smaller grants have smaller match requirements. Grants are awarded on a reimbursement basis, which means the grantee must pay for project costs up front and request reimbursement afterward. Because this can be limiting for smaller applicants, GOCO provides for "progress payments" that allow reimbursement over the course of the project.

Lottery proceeds and GOCO grants make up the largest portion of state parks funding, comprising roughly one-third of Colorado State Parks' annual parks budget.[6]

Figure 5.1 – Funding sources for state parks in Colorado.



SUCCESSES

The Colorado Lottery's success in funding outdoor recreation can be measured in its longevity and the wide range of projects it has funded covering every county in the state, a mix of rural and urban communities, and a range of types of uses. GOCO has supported the construction and maintenance of 900 miles of trails, improvements at 35 playgrounds, creation or improvement of more than 1,000 parks, and the addition of more than 47,000 acres to the State Park system.

In addition to these tangible improvements in recreation infrastructure, GOCO's matching requirement has incented some applicants to increase their capacity to support outdoor recreation and conservation. For example, Larimer and Routt counties passed a county sales tax to be used to match GOCO grants. The Trust for Public Land has helped other communities evaluate the potential for local support of outdoor recreation and conservation ballot measures. These funds can be used independently of GOCO funding, but the pressure to have available money to be eligible for GOCO grants has been a catalyst to raise money locally in some communities.

In this sense, the GOCO matching requirement has resulted in the need for broad support for proposals within communities before projects can occur. Although in some places the requirement has slowed down projects while organizers build more support, ultimately many grantees find this process helpful because once funds are available, projects tend to proceed more smoothly.

CHALLENGES

The Colorado Lottery has been a successful funding mechanism for outdoor recreation in the state, but nonetheless it faces several challenges.

First, the lottery model of funding is a relatively inefficient means of raising funds. In 2016 the lottery distributed $143 million to the beneficiaries, with $594.4 million in sales. The remainder ($451.4 million) went to prizes, administration, and marketing. Due to the substantial overhead, The Lottery estimates that to increase distributions by $1 million, the lottery must increase sales by $10 million.[7]

While GOCO funding is substantial ($64.5 million in 2017), grant requests exceed available funds by a ratio of 3:1. This problem was exacerbated in 2010 when general funding for state parks was eliminated to help close the state budget gap. Prior to 2010, 30 percent of state parks' operating budget was from the general fund. Since 2010, state parks have increased the price of park entrance and camping fees.[8] The legislature cannot easily create new tax revenue streams to fund recreation because of a law in Colorado called the Taxpayer Bill of Rights (TABOR). TABOR requires voter approval for increased tax rates and requires excess revenues to be returned to voters, making it more difficult to raise tax rates and close budget shortfalls.

The GOCO constitutional amendment includes a "substitution clause" that states that the allocation of lottery funds is "not a substitute for funds otherwise appropriated from the General Assembly to the Colorado Department of Natural Resources and its divisions."[9] While this clause provides protection from egregious defunding efforts, it is difficult to prove that it has been violated.

Some have expressed concern that those who play the lottery and therefore fund GOCO are relatively poorer than the average resident who enjoys state parks, amounting to an inequitable burden of supporting state parks and recreation. The State Lottery, however, has found that its participants are representative of the average Coloradoan.

GOCO's grant application process, timing, and matching requirements are not structured to address smaller or immediate needs at state and local agencies. The Colorado Parks Foundation (CPF), which gives out approximately $80,000 per year, helps fill some of this gap for state parks. CPF is funded through a private endowment, donations, and a state parks license plate. While it provides a modest amount of funding, its timing (two grant cycles per year) and wide latitude in terms of what entities and projects it can fund helps it play a small but important role

Finally, the Colorado Lottery is not permanent and is up for reauthorization in 2024. While the program enjoys broad support, reauthorization could be more difficult if it occurs during an economically challenging time.

LESSONS LEARNED

Complementary funding mechanisms.

The Colorado Lottery's proceeds go to three primary beneficiaries that provide both sustaining, predictable funding sources and large, competitive grants for special projects.

Diversity and breadth of projects and stakeholders.

GOCO's ongoing success can be attributed to its geographically diverse projects and a board that represents a wide range of interests across the state and strives to be transparent in its decision-making. Ongoing efforts to listen to changing stakeholder interests have helped the program be responsive as communities' needs change.

Flexible matching requirements help increase local investments.

GOCO's funding requirements, while raising the initial burden for grantees applying for grants, have spurred local investment like bonding and sales taxes to serve as a match for GOCO grants. The program's flexibility in small, rural places recognizes that different communities have different capacity.

Depletion of General Fund support.

While GOCO has been a successful program, it is not immune to decreased support from the state's general fund. Despite a clause that prohibits GOCO funds from being used as a substitute for other funding sources for recreation like the general fund, in practice this substitution is difficult to avoid.

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ENDNOTES

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2. The bill authorizing this funding mechanism is SB 08-013, "Severance Tax Trust Fund Operational Account Appropriations. https://www.colorado.gov/pacific/sites/default/files/TaxandFinance2008.pdf.
3. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
4. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
5. Ken Salazar went on to become the U.S. Secretary of the Interior, and launched a nationwide program modeled after Great Outdoors Colorado.
6. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
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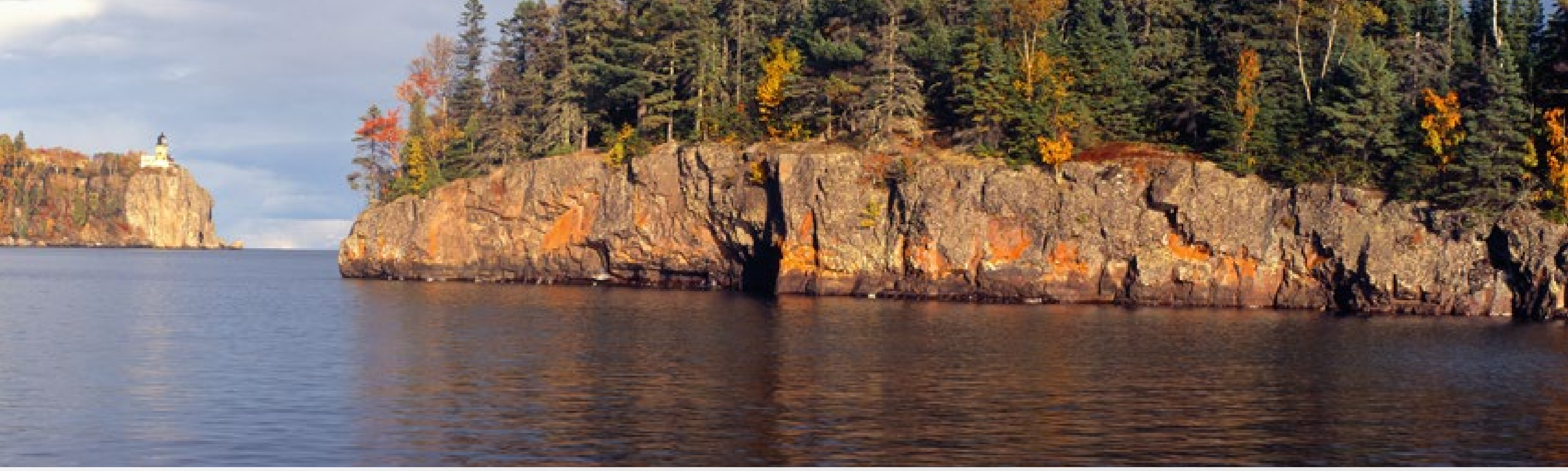
8. http://cpw.state.co.us/Documents/Financial-Sustainability/Flyer-FundingFuture-Parks-FINAL-11-03-16.pdf.
9. http://www.goco.org/goco-constitutional-amendment.



STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Minnesota’s Legacy Fund

SUMMARY

Minnesota passed a constitutional amendment in 2008 that dedicates a portion of sales tax to outdoor recreation, as well as conservation, clean water, and cultural heritage. In total, it has supported more than $490 million for outdoor recreation in its short history. Distribution of funds is overseen by an advisory committee that makes recommendations to the legislature.

FUNDING TYPE

In 2008, Minnesota voters passed a constitutional amendment increasing sales tax by three-eighths of one percent through 2034, called the Clean Water, Land and Legacy Amendment (Article XI, Section 15) (the “Legacy Amendment”). Proceeds are directed into four separate Legacy Funds:

- Parks and Trails Fund – 14.25 percent
- Outdoor Heritage Fund – 33 percent
- Clean Water Fund – 33 percent
- Arts and Cultural Heritage Fund – 19.75 percent

Outdoor recreation is supported primarily through the Parks and Trails Fund, but the Outdoor Heritage Fund requires public access for hunting and fishing on any public land acquisitions. In total, the Legacy Amendment has funded more than $490 million in outdoor recreation projects since its inception.[1]

SNAPSHOT

Created in 2008

Constitutional amendment dedicates a portion of sales tax revenue

Funded more than $490 million in outdoor recreation

Key factors of success:

- Broad range of values supported by constitutional amendment
- Long-term strategic vision spelled out in 25-year plans developed with public input
- Oversight commissions with citizen representatives make appropriation recommendations

As a constitutional amendment, this funding stream is dedicated, predictable, and secure, although it has a sunset clause. The constitutional amendment contains language stating that the funds raised through the measure shall supplement but not "supplant existing funding" streams such as the general fund, and this helps ensure that the funds do not reduce traditional sources for agency budgets, although in practice this is difficult to test and prove.

PROGRAM ORIGINS

Minnesota has a long history of innovative efforts to fund outdoor recreation. In 1963, the state legislature created the Minnesota Outdoor Recreation Resources Commission[2] to identify statewide needs and develop investment strategies for outdoor recreation. The result was the enactment of a cigarette tax with revenue dedicated to the Future Resources Trust Fund to support outdoor recreation. The Trust Fund lasted until 2003 when the cigarette tax was redirected to the general fund to address budget shortfalls.[3]

In 1988, Minnesota voters approved a constitutional amendment to create the Environment and Natural Resources Trust Fund (ENRTF), which dedicates a portion of lottery revenue "for the public purpose of protection, conservation, preservation, and enhancement of the state's air, water, land, fish, wildlife, and other natural resources" (Article XI, Section 14). With 77 percent voter approval, it was a landmark early victory for conservation ballot initiatives. When first enacted, the Trust Fund did not have a dedicated source of funding, but voters approved amendments in 1990 and 1998 that dedicated 40 percent of lottery revenues and enabled up to 5.5 percent of the ENRTF corpus to be spent on projects. The ENRTF continues to fund conservation and recreation projects, and since its inception has funded more than $69 million in outdoor recreation projects.

However, by the early 2000s, budget deficits resulted in a decline in general fund appropriations for conservation agencies in Minnesota.[4] This led to a campaign for an additional constitutional amendment and new funding stream: the Clean Water, Land and Legacy Amendment.

Throughout the early 2000s, several advocacy organizations in Minnesota attempted to work with legislators to statutorily dedicate a portion of the existing sales tax to natural resources with a focus on habitat conservation. By the mid-2000s, legislators sought to add in their own priorities and include other important values for Minnesotans: clean water, parks and trails, and arts and culture.

Initially, there was resistance and in-fighting between constituent groups, but eventually the advocacy organizations realized they could accomplish more, raise more funds, and secure more votes working together. To provide more money to more groups, the proposal changed from one-sixteenth of one percent of existing sales tax to a constitutional amendment creating a new sales tax of three-eighths of one percent. This ensured more funding through a secure mechanism.

As Erika Rivers with Minnesota DNR describes, "Every Minnesotan voter could see themselves and something important to their lives in the amendment." Mark Johnson, Executive Director for the Lessard-Sams Outdoor Heritage Council noted that in his opinion, including clean water helped throw the votes over the top, as everyone directly understands the importance of clean water.

Despite the economic recession, the Clean Water, Land and Legacy Amendment[5] was passed by 56 percent of the voters in 2008. At the time, it was the largest conservation financing ballot measure in U.S. history.[6] Despite the challenging economic circumstances at the time, Minnesotans clearly believed that the values of land, water, and legacy were a priority.

FUNDING ALLOCATION AND ADMINISTRATION

During each funding cycle, oversight commissions for each Legacy Fund request competitive proposals. These oversight commissions evaluate proposals based on established criteria and recommend a slate of projects for appropriation during the legislative session. Each commission has slightly different evaluation criteria, strategic goals, composition, and recommendation processes (see Table 6.1).

The Outdoor Heritage Fund.

The oversight commission for the Outdoor Heritage Fund (the Lessard-Sams Outdoor Heritage Council) includes both legislators and citizens. This approach has benefits and drawbacks. Because of their participation, legislators on the commission can become deeply involved in and supportive of outdoor recreation in the state, but their involvement can also introduce more politics into the funding recommendations. Citizen involvement on the commission is important, and public engagement also helps ensure the process is transparent.

State and local governments as well as nonprofit organizations may apply to the Outdoor Heritage Fund. It does not have match requirements, but demonstrating leverage improves project ranking. The Outdoor Heritage Fund is focused on projects that restore, protect and enhance wetlands, prairies, forest and habitat. Public land acquisitions made with the Outdoor Heritage Fund require public access for hunting and fishing. See Table 6.1 for additional details.

Parks and Trails Fund.

No oversight commission originally existed for the Parks and Trails Legacy Fund, and Minnesota Department of Natural Resources (DNR) managed the funding process for the first few years. During that time, there was extensive competition and disagreement regarding how to prioritize applications to the Parks and Trails Fund. Projects were coordinated by different agencies, or not coordinated at all, depending on jurisdictions and geography.

A public strategic planning process identified the need for greater collaboration among partners and suggested two actions to improve the Parks and Trails Fund, both completed in 2013.

First, the Greater Minnesota Regional Parks and Trails Commission (GMRPTC) was established to coordinate funding to local governments in the 80 counties outside of the Twin Cities metropolitan region. Its members are appointed by the governor. To be eligible for funding, the park or trail must be designated as regionally significant by the GMRPTC through an application process. Today, 49 parks and trails have been designated as regionally significant and are thus eligible to apply for Legacy Funds through the GMRPTC.

Second, the Parks and Trails Legacy Advisory Committee was created to oversee strategic priorities for the Parks and Trails Legacy Fund and make appropriation recommendations to the legislature. It includes representation from the DNR, which oversees state park and trail projects; the Metropolitan Council, which oversees projects in the Twin Cities metropolitan region; and GMRPTC. Establishing the Parks and Trails Legacy Advisory Committee was a difficult, multi-year process, but today the collaboration is strong and all three managing agencies agree that it has improved strategic outcomes for the Legacy Fund.

Each of the three Parks and Trails agencies (DNR, Metropolitan Council, and GMRPTC) present project proposals to the Parks and Trails Legacy Advisory Committee, which makes the final recommendation to the legislature. All three agencies are guided by four pillars outlined in the 2011 Parks and Trails Legacy Plan:[7] (1) connect people and the outdoors; (2) acquire land and create opportunities; (3) take care of what we have; (4) coordinate among partners. The three agencies follow different processes for identifying and proposing projects for the Parks and Trails Fund, as described in Table 6.1. Other than land acquisitions in the Metropolitan Council's jurisdiction, match is not required.

SUCCESSES

In total, funding for outdoor recreation from the two Legacy Funds has totaled hundreds of millions of dollars and supported hundreds of projects on state, county, and municipal levels. Projects range from new acquisitions for parks, to securing trail connections, to infrastructure development at trailheads and recreation areas. Deeper collaboration across jurisdictions helps to enact a statewide vision of a well-connected, regionally important outdoor recreation system. A shared online portal provides detailed information about all projects funded through these mechanisms.[8]

The minimal match requirements and open application process in the Outdoor Heritage Fund has generated many creative and diverse projects. For example, the Outdoor Heritage Fund helped purchase a conservation easement and recreational rights on a working forest privately owned by a paper company near Grand Rapids, MN. All the company's nearly 190,000 acres are now open for recreation including hunting, fishing, and hiking.

The first pillar of the Parks and Trails Legacy Plan—connecting people to the outdoors—has spurred innovative projects to help address declining numbers of people, especially children, recreating in nature. For example, the GMRTP helped fund a project that developed environmental learning programs for students in two counties. The program will continue tracking the same individual students for several years to examine whether their exposure from the program helped build habits and expand their families' interests in outdoor recreation.

CHALLENGES

Although the funding stream is secure and consistent through the constitutional amendment, the appropriation process introduces some uncertainty. Recommendations developed by individual commissions are sometimes modified during the legislative appropriation process.

The Legacy Fund is set to sunset in 2034, and having its termination (or renewal) on the horizon causes some concern. Mounting a renewal campaign requires good stories and measures of past success, which is a large task when also managing current and future projects. However, this also keeps the funding agencies accountable and ensures solid data tracking of all projects. Information about every proposal is accessible through a shared website.[9]

In recent years, Minnesota has seen increased opposition to new public land acquisitions. This is amplified by challenges within the state payment in lieu of taxes (PILT) program, where new state acquisitions make payments to counties in the absence of property tax. These dynamics make new land acquisition projects more expensive and difficult, so some agencies are shifting their energy toward projects focused on restoration and rehabilitation, infrastructure improvements, and programming.

LESSONS LEARNED

Broad and inclusive language increased voter support.

Within the Legacy Fund, moving away from competition and toward collaboration has consistently increased effectiveness. Expanding the potential recipients of the Legacy Amendment to include clean water and cultural heritage—beyond conservation and outdoor recreation—also broadened the voter support and constituencies advocating for the amendment. In the end, incorporating more groups helped persuade voters to pass the constitutional amendment.

Bigger can be better.

Proponents of the Outdoor Heritage Fund were only able to promise meaningful support for numerous constituencies after they increased the sales tax allocation from one-sixteenth of one percent of an existing tax, to three-eighths of a percent of a new tax. Broad support may not have been possible with a modest allocation.

Develop a common strategic vision and language.

The 25-year plans required by the legislature forced the agencies working with the Legacy Fund to articulate a statewide vision that serves as a guide for all funding decisions. With the development of the Parks and Trails Legacy Plan, state and local agencies stopped competing for funds and began working together toward a cohesive, strategic vision for a statewide recreation system. The “four pillars” of this plan are now a common framework for describing the public benefit and purpose of projects at every scale in every geography.

Define oversight commissions early and include citizens.

The Outdoor Heritage Fund benefited from the definition of its oversight committee in statute, and it hit the ground running with funding priorities in place. Citizen engagement in the Outdoor Heritage Fund is critical to ensuring that politics are minimized in funding appropriations. Within the Parks and Trails Fund, a long public process helped identify the need for an overarching oversight organization, and the resulting creation of the Parks and Trails Legacy Advisory Committee helped strengthen the cross-jurisdictional collaboration.

Table 6.1 – Clean Water, Land and Legacy Fund[a]

	Outdoor Heritage Fund	Parks and Trails Fund		
Funding Source	Sales tax: 33.33 percent of 3/8 of one percent sales tax approved via constitutional amendment in 2008	Sales tax: 14.25 percent of 3/8 of one percent sales tax approved via constitutional amendment in 2008		
Approx. Funding for Outdoor Recreation	$172 million since 2008[b]	$317 million since 2008		
Commission recommending appropriations	Lessard-Sams Outdoor Heritage Council made of 4 legislators and 8 citizens	Parks and Trails Legacy Advisory Committee made of 3 appointments from each administering agency (below), as well as 8 ad-hoc members		
Administering Agency	Lessard-Sams Outdoor Heritage Council	Minnesota DNR, Parks and Trails Division (40 percent of Parks and Trails Fund)	Metropolitan Council, Parks Division (40 percent of Parks and Trails Fund)	Greater Minnesota Regional Parks and Trails Commission[c] (20 percent of Parks and Trails Fund)
Eligible projects	Restoration, protection and land acquisitions for wetlands, prairies, forest and habitat. Public land acquisitions must be open to hunting and fishing.	State parks and trails, including restoration, improvements, acquisitions, and programming.	Distributed to local governments by statutory formula[d] based on operations and maintenance responsibilities, population, and visitation. Ten percent available as grants for land acquisitions.	Parks and trails designated regionally significant by GMRPTC. Designation granted through application process.
Eligible recipients	State and local governments and nonprofit organizations	Minnesota DNR	Ten jurisdictions in the greater metro area[e]	Local governments outside of metro area

a. The Legacy Fund also contains the Clean Water Fund (33.33 percent of the Legacy Fund) and the Arts and Heritage Fund (19.75 percent of the Legacy Fund).

b. Includes only completed projects with public recreational access component as per Mark Johnson, Executive Director, Lessard-Sams Outdoor Heritage Council.

c. Commission includes 13 members appointed by the governor: two from each geographic district and one at-large.

d. Minnesota Statute 85.53

e. The counties of Anoka, Washington, Ramsey, Scott, Carver, Dakota, the city of St. Paul, the city of Bloomington, the Minneapolis Park and Recreation Board, and the Three Rivers Park District.

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END NOTES

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2. https://www.leg.state.mn.us/lrl/agencies/agencies_detail?AgencyID=1107.
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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

North Carolina Parks and Recreation Trust Fund

SUMMARY

North Carolina's Parks and Recreation Trust Fund (PARTF), established in 1994, is the primary means by which the state funds outdoor recreation. Originally funded through a dedicated deed tax, it is not funded through general appropriations.

Funds are distributed as matching grants to local governments for outdoor recreation infrastructure and acquisition, to state parks for land acquisition and facility construction and renovation, and to coastal communities to develop and maintain coastal access.

PARTF has funded projects in 99 of 100 counties in the state, and its matching requirements for local government grants has catalyzed substantial municipal-level fundraising.

PARTF's grant-making is tied to significant planning support for communities, helping to increase local capacity to support recreation.

FUNDING TYPES

PARTF is the primary source of funding for recreational access around the state. PARTF is one of three outdoor-related funds in the state. The other two are related to conservation of water, habitat, and wildlife, and agriculture and forestry. Where the missions for these funds overlap, some large conservation projects have used funding from all three sources.

Although it is called a "trust fund," PARTF does not use interest revenue from principal. Instead, nearly all money is spent each year and any remaining funds are used the following year.

SNAPSHOT

Created in 1994

Funding was initially from a dedicated deed tax, now through general appropriations

Total funding has averaged $30.4 million annually

Grants are available for county and local governments for purchasing land, developing new facilities, and renovating existing facilities

Key factors of success:

- Professional support and capacity building help communities to fund successful, high priority projects
- 1:1 matching requirement, with rewards for greater local contributions, has led to significant local funds raised
- Long history and reputable projects serving 99 of 100 counties provides a range of success stories and political support

North Carolina also uses traditional sources of funding for outdoor recreation such as bonding. For example, the state passed a $2 billion general obligation bond measure in 2016 called Connect North Carolina. The bond is for a range of outdoor and recreation infrastructure and education projects, with $75 million going to state parks.

The remainder of this case study focuses on PARTF and aspects that are unique to North Carolina's program.

PROGRAM ORIGINS

In 1993, a legislative committee reviewed the state parks system and determined that the parks needed more funding to meet the demands of a growing population. That same year, with relatively short notice prior to the vote, a $35 million bond referendum to fund state park land acquisition and facility improvements was passed.

This bond measure's success created momentum to pass additional recreation-related funding during the following legislative session. In 1994, with support from conservation organizations like the Sierra Club and The Nature Conservancy, the North Carolina Homebuilder's Association, the League of Municipalities, and the Association of County Commissioners, the Legislature passed Senate Bill 733 establishing the Parks and Recreation Trust Fund.

The funding mechanism and authority for PARTF was established the following year with the creation of the Parks and Recreation Authority. PARTF was funded by reallocating revenue from an existing deed tax on real estate transfers. PARTF received 75 percent of the revenue and the other 25 percent went to the existing Natural Heritage Trust Fund.

While strong popular and legislative support got PARTF established, several legislators found it inappropriate to fund PARTF through a dedicated source rather than the general appropriations process. This concern grew during the recession as legislators were desperate to balance the state budget.

In 2011, the Legislature changed the PARTF funding source from the deed tax to annual appropriations from the general fund. Although the total amount of appropriations remains comparable to the amount of funding through the deed tax, this funding arrangement requires PARTF proponents to advocate for ongoing funding each legislative session.

FUNDING ALLOCATION AND ADMINISTRATION

PARTF is administered by the Parks and Recreation Authority. The Governor, president pro tem of the Senate, and the Speaker of the House each appoint three members to the nine-member board. Board member terms are three years.

PARTF is allocated across three programs: local governments (30%), state parks (65%), and coastal resources (5%).

Local Governments

Thirty percent of PARTF is used to fund a grantmaking program for local governments to create or improve parks or other recreational facilities. Local governments can apply for grants up to $500,000 for the development or renovation of parks or acquisition of property for recreation.

Through the Local Governments program, PARTF also funds the Recreation Resources Service (RRS), a research, technical assistance, and educational program jointly run with North Carolina State University.

RRS uses roughly one to two percent of the total PARTF budget, but has been essential to the program's successful development of recreation in communities across the state. RRS staff work with communities to identify projects, develop their grant applications, and build local capacity to support recreation. RRS staff also are responsible for evaluating projects to make sure they are completed and maintained according to the grant agreement.

Grant applications are scored by Recreation Resources Service staff using the following criteria, for a maximum of 115 possible points:

- **Public recreational facilities provided:** Points given for community's first public park; new facilities; new trail connections between communities, schools, and existing recreation facilities (45 points)
- **Planning:** Points given for site-specific master plan; system-wide parks and recreation plan; 3-5 year capital improvement plan (20 points)
- **Public involvement:** Points given for public meetings; recreational needs survey; support from civic groups (15 points)
- **Commitment to operations and maintenance:** Points given for level of professional commitment to operation and maintenance, with the most for full-time parks and recreation department, then public works staff, then part-time or contract staff, and the least given for volunteers (full-time parks and recreation staff receive 15 points, volunteers receive 2)
- **Land acquisition:** Properties in urgent need of conservation due to development threat are weighted more heavily than unique resources not under threat (15 points)
- **Site suitability:** Points given for little adverse environmental or neighboring property owner impact; property of sufficient size to accommodate project (5 points)

Grant applications also include a one-page project justification, which provides an opportunity for applicants to describe why the project is important to their community. While the scoring criteria help provide consistency across applications, RRS staff find these one-page descriptions invaluable for determining the importance of the project to the community and whether the project has meaningful local support.

Criteria related to planning and operations and maintenance can represent a high hurdle for small communities. To overcome this obstacle, small communities often will rely on existing county-level resources, such as planning documents. This has been an effective strategy to promote better coordination between small municipalities and counties. RRS frequently plays a role in facilitating these relationships.

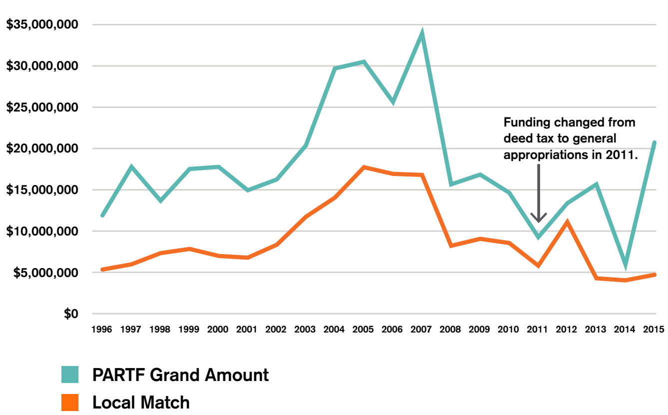
Local governments are required to demonstrate a 1:1 match for requested funds, which has led to project success in two main ways.

First, because a larger match makes an application more competitive, most communities raise a much larger match than required, averaging more than 2:1 since 1995. The match comes from a combination of donated land (the market price of donated lands qualifies toward the match), private fundraising, and local bonding or taxes.

Second, the matching requirement—together with a required commitment to operations and maintenance for 25 years—helps ensure that the projects are appropriately sized for local resources. Communities frequently opt to pursue phased projects, applying for different phases of a project in subsequent years to both build local support through small initial successes and to slowly increase their financial responsibilities for recreation projects.

Figure 7.1 illustrates PARTF funding for the Local Governments program over time, along with local match. In all years, even during the recession, the local match has far exceeded the grant amount.

Figure 7.1 – PARTF and local matching funds, 1996-2015.



PARTF reimburses communities for expenses incurred on a quarterly basis. While this requires communities to have the financial capacity to pay for project expenses, quick reimbursement helps minimize the burden. RRS staff did not see evidence that reimbursement has created an undue burden for small communities.

Once the applications are scored by RRS, they are given to the Parks and Recreation Authority, which weighs project score along with population size and geographic distribution. The Authority strives to fund projects in communities across the state and across a range of community sizes.

State Parks

Sixty-five percent of PARTF goes to state parks for park renovations, capital improvements, and land acquisition. Funds are allocated according to system-wide priorities for facility renovation and land acquisition to protect areas near existing parks. State Parks has several long-term strategic land acquisition priorities for which these funds can be used. PARTF money is in addition to annual appropriations and user fee revenues.

State Parks also have benefited from being able to combine PARTF funds with the other two state trust funds--Clean Water Management Trust Fund and Agricultural Development and Farmland Preservation Trust Fund—for strategic land acquisition near existing parks or to establish new parks.

Public Beach and Coastal Waterfront Access Program

Five percent of PARTF is used to fund the Public Beach and Coastal Waterfront Access Program. Similar to the Local Governments program, the coastal program offers matching grants to local governments in North Carolina's coastal counties with the primary purpose of providing pedestrian access to public beaches and public trust waters. Local governments must provide at least 15 percent match, half of which can be in-kind.

SUCCESSES

The PARTF requirement of at least 1:1 matching, along with a history of local communities matching at rates greater than 1:1 to improve their application score, have provided a strong incentive for communities to generate local funding sources through local bonds or taxes or private fundraising.

PARTF's long history and reputation for funding successful, lasting projects that bring state money to rural communities has helped to raise the profile of recreation in local governments. PARTF helps give recreation-related interests a seat at the municipal government table because recreation is recognized as a strategy to tap into state funding sources. Many rural communities otherwise may consider recreation a luxury of well-funded city governments.

Planning, both for the specific project but also broader master plans, are heavily weighted when grant applications are scored. These requirements create strong incentives for small municipalities to collaborate with the county and other nearby towns and has encouraged more people to be involved. Requiring these planning documents helps to ensure that the projects a community pursues fit into a greater vision for the town's future.

The Recreational Resource Service is instrumental in providing technical support for communities as they prioritize projects, write their grant applications, and develop their projects. Projects are completed and serve the community's needs, creating success stories across the state. Additionally, because RRS staff work across the state, they can share stories of successes and challenges other communities have faced.

CHALLENGES

PARTF funding has varied substantially, creating challenges for recreation planners at State Parks and local governments. Since PARTF began, funding has ranged from a low of $12 million in 2013 to a high of $57 million in 2005. The recession, and its associated impact on the value and number of real estate transactions, had a dramatic impact on the size of PARTF funds. The recession also created a fiscal crisis that led to borrowing from PARTF funds to cover other state budget shortfalls for three years.

When PARTF funding was changed to general appropriations, the change required PARTF supporters to become more politically organized advocates. While total PARTF funding has remained relatively stable since this change, lobbying during the general appropriations process has placed new demands on PARTF supporters.

LESSONS LEARNED

Successful, long-term projects have given recreation a good reputation.

Support and capacity building by RRS have resulted in many success stories across the state from the past 20 years. RRS has a reputation for being a reliable partner, and PARTF is known for being a reliable funding source (though available funds vary), leading more municipalities to include recreation in the public services they provide.

A dedicated funding source is not a magic bullet.

A dedicated funding source like a portion of the deed tax is appealing because it is protected from the politics and negotiations of general appropriations, but North Carolina's experience demonstrates that dedicated sources, too, are subject to significant fluctuations. Additionally, without protections written into the legislation, they are not immune to being borrowed from by other sources. Funding levels under the general appropriations process have not recovered to pre-recession levels, but they have remained relatively steady. While the general appropriations process requires greater involvement by proponents of PARTF, broad support from a range of constituents across the state has helped keep the program well-funded.

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Texas Sporting Goods Sales Tax

SUMMARY

The Texas Sporting Goods Sales Tax authorizes the Legislature to make appropriations from the collection of sales tax on sporting goods to support state parks, historic sites, and local park grants. The Sporting Goods Sales Tax is a portion of an existing 6.25 percent general sales tax.[1] The allocation to parks was capped at $32 million per year until 2007. Today, the allocation for the support of parks is limited to up to 94 percent of the Sporting Goods Sales Tax revenue (Texas Tax Code Chapter 151, Subchapter M., Sec. 151.801). In recent years it has generated between $75 and $125 million per year for outdoor recreation.

FUNDING MECHANISM AND PROGRAM ORIGINS

Texas has a long history of funding outdoor recreation using excise taxes. Beginning in the 1970s, one penny from each pack of cigarettes sold in Texas went to help fund State Parks. Revenue peaked in the early 1980s at close to $19 million. By the early 1990s, cigarette sales were declining and the tax revenue was less than $12.5 million while State Park visitation increased by 37 percent during the same period. In 1992, the Texas Legislature's Committee on Environmental Affairs released a report[2] after conducting research, polling, and public hearings. They found that the cigarette tax was not meeting the state's needs and suggested several alternatives, including a sporting goods sales tax.

In 1993, the Texas Legislature passed House Bill 706 creating the Sporting Goods Sales Tax. While not a new or direct tax levied on sporting goods, the Sporting Goods Sales Tax carves out a portion of the existing 6.25 percent state sales tax for parks and historic sites.

The tax is calculated by estimating the amount of general sales tax revenue collected from the sale of sporting goods, including bicycles, hunting and firearms equipment, exercise equipment, fishing tackle, golf equipment, and other supplies.[3] Apparel and footwear are excluded, except those suitable only

SNAPSHOT

Created in 1993

Allows a draw of up to 94 percent of sales tax received from estimated sale of sporting goods to be dedicated to State Parks and local park matching grants

Funded $277.6 million for outdoor recreation in 2018/19

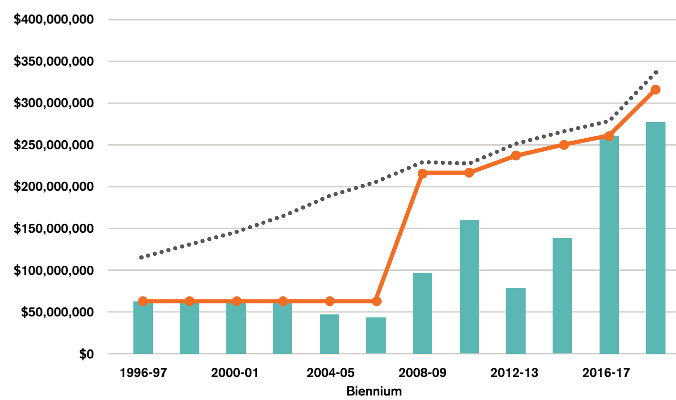
Key factors of success:

- Portion of existing sales tax revenue, rather than a new tax
- Direct link between consumers of sporting goods and benefits of the tax
- Intentional programs reach diverse and changing demographics

for use in a sport or sporting activity. The revenue is estimated by the Comptroller of Public Accounts through national market data. For example, economists estimate that sporting goods make up X percent of sales nationally. The Comptroller assigns, then, X percent of sales tax revenue to the Sporting Goods Sales Tax fund. This also helps Texas retailers avoid the burden of tracking taxable sales, although state law allows the Comptroller to require such reporting if "satisfactory" statistical data are not available.[4]

The creation of the Sporting Goods Sales Tax (SGST) was widely supported by outdoor retailers, recreationists, and state and local parks, as it was viewed as a major improvement compared to the cigarette tax for several reasons. First, while cigarette sales were declining, the sale of sporting goods was increasing and was likely to grow over time, keeping pace with increased park visitation. Second, the intent was to dedicate existing revenue that had been going to the general fund rather than create a new tax. Finally, many felt that it was logical and fair to directly link consumers of sporting goods to expenditures on outdoor recreation resources.

Figure 8.1. Texas Sporting Goods Sales Tax Appropriations



Sources: Texas Legislative Budget Board, Texas Parks and Wildlife Department (TPWD).

The Sporting Goods Sales Tax originally capped the contribution at $32 million per year (the first two years were capped at $27 million), which was not adequate to address the needs of a growing population. It also prescribed the distribution of funds among state accounts for operations, local parks, and capital projects, leaving little ability to adapt to changing needs and priorities.

In 2007, the Texas Legislature increased available funding by eliminating the fixed dollar allocation of $32 million and instead allowing a maximum of 94 percent of the Comptroller's sporting goods revenue estimate to be allocated to Texas Parks and Wildlife Department (TPWD). The remaining six percent can be allocated to the Texas Historical Commission. This allowed the Legislature to appropriate significantly more of the Sporting Goods Sales Tax receipts to parks and to capitalize on the increasing sales tax revenue attributed to sporting goods.

However, the benefits were not realized as the Legislature consistently appropriated less than the 94 percent permitted. Instead, lawmakers left portions of the Sporting Goods Sales Tax revenue in the general fund to support other needs and balance the state budget. From fiscal years 2001-2007 receipts of Sporting Goods Sales Tax in Texas increased from $84.2 million to $104.4 million, but appropriations to the Texas Parks and Wildlife Department declined from 38 percent to 20 percent of overall Sporting Goods Sales Tax.[5]

The 2015 State Legislature took major steps to improve the Sporting Goods Sales Tax program with two modifications. First, it eliminated the prescribed distribution of funds between accounts to give the Legislature discretion on how to direct funds and adapt to changing priorities and needs. Second, it passed legislation that statutorily dedicated the full 94 percent of the Sporting Goods Sales Tax to the Texas Parks and Wildlife Department, as was originally intended by the 2007 legislation.[6] For the first time, the full 94 percent of the Sporting Goods Sales Tax was appropriated to the Texas Parks and Wildlife Department for the 2016-2017 biennium, amounting to more than $261 million—more than a million dollars above any prior appropriation. In the 2017-2018 biennium, the legislature appropriated 89 percent of available funds, amounting to more than $277 million.

FUNDING ALLOCATION AND ADMINISTRATION

Funds raised from the Texas Sporting Goods Sales Tax are disbursed to Texas State Parks for several purposes, including operations, capital improvements, and local park grants. Since the cap was changed to 94 percent of revenue in 2007, State Parks generally receives 80 to 90 percent of the funds for operations and capital projects; local park grants receive the balance.

Each biennium, Texas State Parks submits its appropriations request for operations and capital projects. State Parks has developed a system to quantify, measure, and rank its capital project priorities based on four categories: health and safety issues, regulatory compliance, continuity of business services, and conservation and stewardship. Historically, the State Parks appropriation request is not fully included in legislative budget bills, and State Parks leadership and advocates must make their case each biennium to increase appropriations.

Local Park Grants

Texas State Parks manages the Sporting Goods Sales Tax revenue for local park grants, and treats the funds similarly to state-side Land and Water Conservation Fund (LWCF) grants. They award funds in four categories related to outdoor recreation:

- **Community Outdoor Outreach Program (COOP)** grants for local government and nonprofit programming that bring outdoor recreation to underserved populations such as low-income, minorities, handicapped, elderly, and others. Grants are up to $50,000 and no match is required. Approximately $1.25 million is awarded in this category each year.
- **Small Communities Grants** are awarded to local governments of communities with a population of less than 20,000. Grants are up to $75,000 and require a 50 percent match. (These communities can also apply in the non-urban category.) Approximately $750,000 is awarded in this category each year.
- **Outdoor Recreation Grants** are awarded to local governments of communities with a population of 500,000 or less. Approximately 60 percent of remaining funds are awarded in this category. Grants are capped at $500,000.
- **Urban Outdoor Recreation Grants** are awarded to local governments of communities with a population of more than 500,000. Approximately 40 percent of remaining funds are granted in this category. Grants are capped at $1 million.

Applications for all categories are accepted annually. Outdoor Recreation Grants staff provide a technical review of proposals and work with applicants to resolve any issues. Staff often provide technical support and work with applicants to improve proposals. Staff rank applications using a set of criteria that are established with significant public input, lending transparency and integrity to the evaluation process. Applications are placed in rank order and forwarded to the Parks and Wildlife Commission, a nine-member body appointed by the Governor with staggered six-year terms. The Parks and Wildlife Commission approves the funding requests, typically in order of ranking until the funding is allocated.

SUCCESSES

Despite funding uncertainties in Texas, the longevity of the program dating back to the cigarette tax has resulted in thousands of outdoor recreation projects in nearly every part of Texas. State Park partners and advocates have successfully made the case to increase funding and move toward more secure dedication of funding, although Texas still has challenges to overcome.

Agencies and partners have adopted a triple-bottom-line approach to showcase the economic, social, and environmental benefits of state and local parks. To that end, Texas State Parks and partners continually conduct public opinion polls and economic analyses that document the importance of outdoor recreation to Texans' quality of life, public health, and local economies.[7] For example, a recent survey found that 92 percent of Texans believe a high-quality park system is deeply valued for family recreation.[8] Another study found that state parks generate an estimated 5,871 jobs and $774 million in sales from visitor spending.[9]

CHALLENGES

Texas' most significant challenge is the unpredictability and unreliability of funding levels. Without dedicated funding, Texas State Parks and local park advocates must fight for appropriations in each legislative session, requiring time and effort. Grant levels vary widely from year to year as the legislature uses the Sporting Goods Sales Tax to make up for other declining revenue streams, such as oil and gas.

Unfortunately, many citizens mistakenly think the tax they pay on sporting goods automatically and fully goes to support parks, not realizing that significant portions of the Sporting Goods Sales Tax are diverted to other purposes. Polls show that voters strongly support the Sporting Goods Sales Tax and would support a constitutional amendment or other method to make the funding more secure and predictable.[10]

Texas has fewer acres of federal public land as a proportion of total area than any other state, making state and local parks especially critical to outdoor recreation. Coupled with rapidly rising, increasingly diverse, and increasingly urban population of more than 27 million people, the face of outdoor recreation in Texas is changing. Ensuring that state and local park services keep pace with changing needs and growing visitation will be a rising challenge in the coming decade, and unpredictable funding amplifies this challenge.

LESSONS LEARNED

Ensure that intent is matched by language.

While the creators of the Sporting Goods Sales Tax may have intended for the funding to be dedicated and predictable, it is unfortunately subject to legislative discretion. While recent changes have improved the picture for the Sporting Goods Sales Tax, there are still challenges, and it will be hard for legislators to give up a funding source when other revenues are in decline, despite the many arguments about the economic impacts of parks.

The public supports applying directly related revenue to outdoor recreation.

In general, Texans support the Sporting Goods Sales Tax and appreciate that taxes from their purchase of sporting goods are reinvested in venues where they recreate (although the average voter may not realize that only a small portion of the Sporting Goods Sales Tax has historically been used for outdoor recreation). Ideally, as the user base grows, the funding available for outdoor recreation will grow in parallel. The Texas approach utilizes an existing tax, rather than creating a new tax, which is likely a key factor in its support.

New approaches are necessary to reach changing communities.

Texas is taking proactive measures to develop programs and use funding to make outdoor recreation inclusive, diverse, equitable, and relevant to its communities that are increasingly ethnically and racially diverse. Many other funding programs support only acquisitions and improvements and won't support outreach and programming, but this may be shortsighted. Texas' COOP program and focus on urban grants helps intentionally reach some of the fastest-growing populations that can and should benefit from access to outdoor recreation, and that will be tomorrow's stewards of Texas' outdoor legacy.

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Vermont's Housing and Conservation Trust Fund

SUMMARY

Vermont funds outdoor recreation, conservation, historic preservation, agriculture, and affordable housing using its Housing and Conservation Trust Fund (HCTF). Established by the Vermont Legislature in 1987, HCTF is funded through the property transfer tax and administered by the Vermont Housing and Conservation Board (VHCB).

VHCB conservation investments fund land acquisition and conservation. Since its inception, VHCB has helped to preserve 265,000 acres for recreation and conservation. Funding is also available for organizational development and technical assistance.

FUNDING TYPES

The bulk of the state's outdoor recreation funding for land acquisition and conservation comes through VHCB.

Although HCTF is called a "trust fund," it is not structured as a typical trust fund that primarily distributes interest revenue from principal. VHCB receives an appropriation annually and distributes funds in response to applications received from organizations, agencies, and municipalities around the state.

By statute, the HCTF is allocated 50 percent of the total Property Transfer Tax (PTT) revenues received by the state (after the Tax Department deducts 2% for administration). Often, however, due to competing needs for state funds, the fund receives less than 50 percent of PTT revenue. The Legislature uses General Obligation Bonds to partially replace, or supplement, property transfer tax funding.

The transfer tax is applied to all property sales and the rate depends on the value of the property and whether the buyer intends to use the property as a principal residence. For non-principal residences, the buyer pays 1.25 percent of the sale price. For principal residences, the buyer pays 0.5 percent for the first $100,000 and 1.25 percent for any amount greater than $100,000.[1]

SNAPSHOT

Created in 1987

Funds primarily land conservation and acquisition

Priority given to projects that provide affordable housing and land conservation

Key factors of success:

- Supports activities across many land use issues, including housing affordability, farmland and historic preservation, and outdoor recreation
- Dedicated funding source from Property Transfer Tax, with a higher burden on more valuable and secondary homes
- Brings together advocates across multiple disciplines
- Funds primarily grants

For FY2017, VHCB received $15.3 million, made up of $11.3 million from the Property Transfer Tax and $4 million in bond funding. Of this, $1.2 million was awarded for non-farm conservation projects, including acquisition and conservation of recreation lands, town forest projects, trails, natural areas, historic community buildings with public use, and the creation or expansion of state and municipal parks.[2]

PROGRAM ORIGINS

During the 1980s, rapid development of rural property increased the price of housing, threatening the state's agricultural character, and reducing residents' access to recreation on private land. In response to these threats, advocates for conservation and recreation, affordable housing, and historic preservation created a unified coalition. Together they proposed creating a new agency and funding source to address community needs.

The Vermont Housing and Conservation Trust Fund Act passed in 1987. The HCTF Act identifies the "dual goals of creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands."[3] When evaluating grant applications, priority is given to projects that can provide both affordable housing and land conservation for agriculture, forest land, natural areas, recreation, or historic preservation.

In 1987, the HCTF was capitalized with $3 million. In 1988, a budget surplus of $20 million was directed to VHCB. Thereafter, VHCB was given a dedicated share of Property Transfer Tax receipts, supplemented in some years by targeted allocations of bond funding. The legislation and dedicated funding benefited from the state's real estate boom: rural character and historic farms were under threat and Property Transfer Tax revenue was growing quickly.[4]

FUNDING ALLOCATION AND ADMINISTRATION

The HCTF is overseen by an 11-member Board of Directors. Four members are heads from the state agencies: Agriculture, Human Services, Natural Resources, and Housing Finance. Five of the remaining positions are appointed by the Governor and two by the Legislature. Of these, one must be a farmer and one an advocate for low-income residents, and two represent nonprofit affordable housing development and land conservation organizations.

The Board meets eight times a year. The exact funding allocation depends on the types of grant applications the board receives. In 2017, VHCB allocated 47 percent of state funding to housing and 43 percent to conservation. Approximately 70 percent of the conservation allocation is awarded to farmland conservation projects. There is no set requirement for housing or conservation to receive a certain share of available funds. In FY17, non-farm conservation projects received eight percent of the total state allocation of $15.3 million.[5] Projects are "ranked by the Board in terms of need, impact and quality."[6] VHCB has several program-specific policy briefs that serve as guiding documents for evaluating applications.[7]

Municipalities, state agencies, and housing or conservation nonprofit organizations are eligible for funding. Recreation-related granting falls under the Statewide and Local Conservation Programs. Each program has different requirements depending on whether the proposed project is of local or statewide significance.

For local projects, VHCB provides grants or loans of up to $150,000 for conservation and acquisition of recreational lands, natural areas, agricultural lands, forest land, and historic properties. Funding may not cover construction, maintenance, or operation of facilities. Applicants are required to provide a 33 percent match, which can include in-kind services, donated land, and cash. Those projects with a larger match generally are given higher priority. In cases where projects are particularly complex or expensive, applicants may petition the Board to waive the cap.[8]

Projects of statewide significance are identified based on information from the Agency of Natural Resources, including the Vermont Recreation Plan, the Agency's Land Acquisition Plan, and Community Recreation Plans. There is no limit for the requested amount and a match is not required for these projects. The Board prioritizes funding projects that contain the following elements:

- Land acquisition;
- Access for swimming, boating, or fishing;
- Greenways or other connections;
- Urban areas or places with low public land per capita;
- Unique features such as views or other special qualities;
- Expansions of existing recreation areas;
- Multi-jurisdictional service areas;
- Connection to affordable housing projects; and
- Use of financial resources in addition to HCTF.[9]

In addition to grants and loans for land acquisition, VHCB also provides annual grants for organizational development to Vermont's network of nonprofit affordable housing development and land conservation organizations. This can include grants for establishing or expanding an organization for the first two years, and core operating support for an existing organization. To qualify, organizations must demonstrate local support and their ability to leverage other sources of funding, without overlapping the efforts of other organizations serving the area.[10]

SUCCESSES

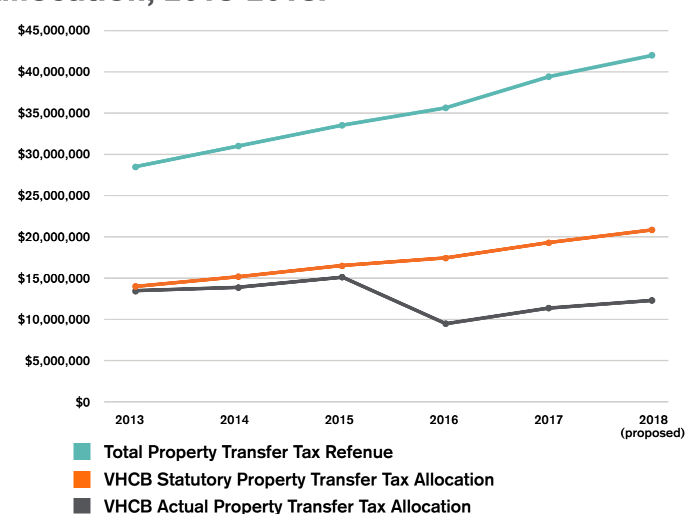
Before the HCTF Act was passed, advocates for farmers, recreation, and low-income Vermonters separately pursued legislation to create long-term funding. When advocates created a broad alliance, they were able to successfully advocate for legislation establishing the HCTF. Representation from a wide variety of interests on the Board helps to promote a culture of collaboration rather than competition.

When evaluating applications, the Board places a priority on projects that meet "dual goals." This has helped housing and conservation advocates see complementary opportunities on a single parcel of land. For example, in South Burlington an organization was creating a housing development on property that included steep cliffs along its edge. By partnering with the local park district, the developer was able to cluster the housing safely on one part of the property and the park district was able to include the unique 10-acre cliff area in its park system, building trails and fencing to make the property accessible to the public. Although it can be difficult to find projects that do achieve dual goals, VHCB staff often work with applicants to identify possible ways to accommodate broader objectives.

CHALLENGES

Although the fund's statute mandates 50 percent of PTT revenue be allocated to the HCTF, competing budget needs have resulted in lower allocations. Figure 1 highlights the gap between the mandated 50 percent allocation and the actual amount allocated to VHCB. Additional funding of $4.5 million in 2016 and $4 million in 2017 was provided to make up some, but not all, of this gap. An additional $5 million additional funding is proposed for 2018. A coalition of grantees—the Vermont Housing and Conservation Coalition—actively lobbies for appropriations and works with legislators to make sure successful programs are highlighted.

Figure 9.1. Annual property transfer tax revenue, statutory allocation, and actual allocation, 2013-2018.



Source: Vermont Housing and Conservation Board personal communication.

The Board allocates funds across a broad range of projects that reflect its dual goals and stated policy priorities. Funding levels for different program areas will vary from year to year as the Board responds to the applications received. While this provides the Board with flexibility, it may make it harder to consistently support programs and may lead to competition between housing, conservation, historic preservation, and agricultural interests.

The HCTF supports primarily land acquisition and conservation. While this has helped preserve many areas for outdoor recreation, it is one of several important factors that sustain a statewide outdoor recreation program. If the construction, operations, and maintenance of parks and trails fall mostly to federal and municipal sources, recreation facilities may be shortchanged.

LESSONS LEARNED

Sustained, dedicated funding is due to very broad constituency.

This 30-year program boasts widespread success in improving the quality of communities across Vermont. Part of its success can be attributed to its statutorily mandated funding source that has been relatively protected from reduced appropriations. Because it affects so many constituents in many ways, its political support has remained strong.

Prioritizing projects that meet "dual goals" encourages creative solutions.

The VHCB's emphasis on projects that address its "dual goals" has helped advocates of many sorts identify collaborative opportunities, helping to accomplish a wider range of objectives from a single funding source. While the program's many themes mean that recreation competes with other important programs, the overall sustained political and funding support have been invaluable.

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Washington Wildlife and Recreation Program (WWRP)

SUMMARY

Recognizing both the threats to and benefits of the natural environment, a diverse coalition persuaded the Washington State Legislature to create the Washington Wildlife and Recreation Program (WWRP) in 1989 with two objectives: acquiring important recreation and habitat lands before they are converted and developed, and improving recreation areas for Washington's expanding population. Since its founding, WWRP has generated more than $360 million in outdoor recreation grants to state and local agencies for capital projects.[1]

Funding for the WWRP is legislatively appropriated during each biennium (odd-numbered years). Since 1990, the funding has averaged $56.4 million each biennium, with a low of $42 million in 2011-13 and a high of $100 million in 2007-09. As of this writing, the 2017-19 capital budget has not been passed, but includes $80 million for WWRP.

FUNDING TYPE

The WWRP grant program is funded each biennium through appropriations in Washington's capital budget, which includes funding allocations to larger, long-lasting construction and repair projects for things such as state buildings and land, schools, affordable housing, and water infrastructure. (The Washington Legislature also funds an operating budget and transportation budget.) The Legislature appropriates funding in the capital budget through the sale of general obligation bonds. A bond bill typically accompanies the Capital Budget bill in order to support the appropriations.[2]

SNAPSHOT

Created in 1989

General obligation bonds appropriated every two years through capital budget

Funded more than $360 million in outdoor recreation projects to state and local agencies

Managed by a state agency: the Recreation and Conservation Office

Supported by independent non-profit: Washington Wildlife and Recreation Coalition

Key factors of success:

- Ongoing citizen engagement
- Support from a coordinated, diverse coalition
- Transparent, fair administration by independent agency
- Frequent funding cycle

PROGRAM ORIGINS

A hallmark of the WWRP's success is its strong legacy of collaboration and community involvement. In the 1980s, a conservation sales tax measure failed in Washington. Recognizing these hurdles, the Washington chapter of The Nature Conservancy helped lead a statewide Needs Assessment, which provided a platform for public meetings and a "ground-up" approach to discussing community needs. From this assessment grew an alliance of bipartisan, diverse stakeholders, which soon organized into a formal Coalition.[3]

The first co-chairs of the Coalition were two former governors--Republican Daniel J. Evans and Democrat Mike Lowry. The Coalition included diverse membership with outdoor recreation user groups, environmental activists, working land conservationists, sportsmen, and outdoor industry leaders. After a series of retreats and lengthy meetings with dozens of stakeholders, the Coalition formed a consensus on the guiding principles and details of a proposal for a funding program. In 1989, the Coalition successfully persuaded the Legislature to pass the enabling statute (RCW 79A.15) that created the WWRP grant program, and the program was funded in 1990 with an initial biennial appropriation of $53 million.

FUNDING ALLOCATION AND ADMINISTRATION

The Recreation and Conservation Office & Board.

The Recreation and Conservation Board administers the WWRP. Made up of five citizens and three state agency directors (Department of Fish and Wildlife, Department of Natural Resources, and Washington State Parks and Recreation Commission), the board is supported by staff of the Recreation and Conservation Office (RCO).

Created in 1964 by the voters, the Recreation and Conservation Office plays a critical role in administering the WWRP. In addition to the WWRP, the RCO manages a handful of other conservation and granting programs such as the Salmon Recovery Funding Board, Habitat and Recreation Lands Coordinating Group, the Land and Water Conservation Fund, and the Recreational Trails Program.

Administrative rates from these and other grants fund the operating budget of the RCO; the RCO does not compete in the general fund with other programs for operating dollars. Since the RCO does not own or manage any land or resources, but just administers grants and supports recreation and conservation activities, it maintains a level of independence and objectivity that enables robust grantmaking.

Grant Accounts.

As of 2016, WWRP funding is divided into three accounts, each with individual grant subcategories:

1. **Outdoor recreation** (45%) – including local parks, state parks, state land improvements, trails and water access.
2. **Habitat conservation** (45%) – including natural areas, urban wildlife areas, state lands, and critical habitat conservation.
3. **Farm and forest preservation** (10%) – including conservation easements and restoration.

In 2015, Governor Inslee directed the Recreation and Conservation Office to conduct a review of the WWRP to ensure the criteria and requirements still match Washington's needs and goals, and to prepare a report to the Legislature. Some of the grant allocations, eligibility criteria, and categories were modified in 2016 as a result. Overall, the review reaffirmed the state's commitment to funding both outdoor recreation and conservation and recommended increasing the emphasis on partnerships, incentivizing projects with multiple benefits, and allowing variances for local match requirements and decreasing the acquisition requirements for local agencies. For a complete examination of all grant accounts and these recent modifications, refer to the 2015 Washington Wildlife and Recreation Program Review.[4] The remainder of this report will focus on the Outdoor Recreation grant account, as shown in Table 10.1 and Figure 10.1.

Grant Applications and Criteria.

Projects are identified by the sponsoring agency or organization. The RCO employs nine grant managers, each with a specific geographic territory, who help sponsor organizations develop quality, competitive projects. The RCO staff have developed systems and tools such as detailed workshops, manuals, and even sample pitch presentations[5] to help grant applicants, regardless of size and capacity, compete for resources.

Eligible applicants vary for each grant category (see Table X). For the Outdoor Recreation account, only governmental entities are eligible to apply, but many projects have nonprofit partners that assist with technical grant-writing support, fundraising for matching dollars, and project development. Project eligibility also varies with each grant category, but is exclusively focused on acquisition of new lands and improvement to facilities – not ongoing operations and maintenance.

Currently, most grant categories have a match requirement of 50 percent and all categories rank proposals higher if they can be leveraged with matching sources. Any match must be documented and confirmed before WWRP funding can be approved. Since RCO manages other grant programs, grant managers sometimes act as matchmakers, helping connect project sponsors with partners, additional funding programs, and community resources.

The grant application period opens in even-numbered years. Applications are reviewed for eligibility and technical merit by RCO staff and then scored by voluntary advisory committees for each grant category. Committee rankings then are evaluated and approved by the Recreation and Conservation Funding Board, where a comprehensive list of projects from all grant categories is developed. This list is submitted to the Governor and Legislature for funding consideration. All proposed projects are tracked in an online database called PRISM, fully accessible to applicants, citizen advisory committees, legislators, and the public.

The Legislature and Governor cannot modify the ranking or the list, but can allocate less funding than requested by WWRP. When this occurs, funding is directed to projects in the ranked order until all the dollars are allocated. Unfunded projects are considered alternates and may receive grants if any funding is returned. Projects begin in July of the odd-numbered year and grant agreements are typically for multiple years. WWRP also historically has funded phased projects with sequential grants.

The Role of the Coalition.

Washington's budget request for WWRP typically enjoys strong bipartisan support before it arrives at the Legislature, thanks to the focused, coordinated efforts of the Washington Wildlife and Recreation Coalition (the Coalition), the original alliance responsible for establishing WWRP. The Coalition lobbies the legislature for each biannual appropriation, fulfilling a role that grant applicants – typically local, state, and non-profit agencies – are prohibited by law from doing. Built on the leadership of visionary, bipartisan, and diverse organizations, the Coalition has been critical to WWRP's success from the beginning.

Today, the Coalition is a stand-alone non-profit organization with a full-time, professional staff. Its membership includes more than 280 organizations from outdoor recreation, conservation, and farm organizations, local agencies, labor interests, and important business and industry leaders such as Boeing and REI. The Coalition is supported entirely through membership dues, foundation support, and individual contributions; no WWRP grants go to the Coalition.

A policy subcommittee of the Coalition's 50-member board of directors develops a funding recommendation each biennium to support the budget request, based on the grant proposals RCO received. The Coalition helps ensure the request is reasonable, realistic, and defensible, balancing the diverse needs of its membership.

The Coalition then asks the Recreation and Conservation Board to include its recommendation with RCO's budget request. Communications between the Recreation and Conservation Office, Board, and Coalition are transparent because directors of the RCO, State Parks, and the Department of Fish and Wildlife are all Ex-Officio Directors on the Coalition's board. Once the Recreation and Conservation Board's budget request is submitted, the Coalition then directly lobbies the legislature for its appropriation.

The Coalition creates a unified approach and strength in numbers. Healthy, robust debates are encouraged within the Coalition through the budget vetting process before the Governor or Legislature review the budget request. Any disagreements among members are sorted out well before the legislative session begins. The budget proposal to the Legislature is holistic and does not pit one type of grant program, applicant, or user-group against another.

Further, the Coalition can advocate for projects proposed by agencies and organizations that are legally prohibited from lobbying or that do not have the capacity to lobby.

SUCCESSES

According to data downloaded from the RCO's PRISM database,[6] the Outdoor Recreation account of WWRP has funded $360 million for 810 projects since 1991, with another $86 million proposed. More than 225 project sponsors have submitted successful applications. In total, these projects have leveraged another $385 million in sponsor match, more than doubling the investment of the WWRP in Washington's outdoor recreation infrastructure.

The scope and scale of projects accomplished through WWRP vary widely, from small community parks and playgrounds, to acquisitions of new state parks, to long-distance, multi-phased trails. In 2014, WWRP helped complete the creation of Kukutali Nature Preserve. Brokered by the Trust for Public Land, it is the first state park jointly owned and managed by a sovereign Indian nation, the Swinomish, and the Washington State Parks and Recreation Commission. In central Washington, a coalition of partners such as the Chelan-Douglas Land Trust and City of Wenatchee worked with WWRP funding to acquire multiple properties and build a series of trails, which have become a regional destination and economic benefit to the community. In the Methow Valley, WWRP helped install a refrigerated ice rink, allowing the community to lengthen its season of outdoor skating. The PRISM database has more details on a portfolio of flagship projects assembled by the Coalition in honor of the WWRP's 25th anniversary.[7]

WWRP's success has also helped generate additional coalitions and initiatives that leverage synergistic opportunities to advance outdoor recreation in Washington. In 2015, the office of State Policy Advisor on Outdoor Recreation and Economic Development was created to strengthen the state's outdoor industry economy and increase participation in outdoor recreation. The office advises the Governor and works closely with the RCO and Coalition and is one of four such positions in the U.S. In addition, an association of the 45 primary outdoor recreation organizations in Washington formed the Big Tent Coalition in 2012 with the goal of raising the profile of outdoor recreation and its economic, social, and health benefits. The RCO and Washington Wildlife & Recreation Coalition are members.[8]

CHALLENGES

Funding security is an ongoing challenge for the WWRP. Recent capital requests related to education are increasing the competition for funding and are expected to grow in the future. New coalitions—modeled after WWRP's success—are trying to copy the approach and are increasing the demands on the capital budget.

Like many states, ongoing funding for operations and maintenance is unstable. WWRP funds only capital projects – not ongoing operations and maintenance – and some local jurisdictions are frustrated with WWRP funding for new state agency acquisitions when there is a perceived maintenance backlog on existing state-owned properties. Compounding the problem is the unreliability of the state's payment in lieu of taxes (PILT) program, which requires the state make payments to counties in lieu of property taxes on state-owned property.

Matching funds also present many challenges in Washington. Most WWRP grants require a 50 percent match, which inevitably favors communities with more capacity. Urban communities are better able to raise matching funds through other grant sources and urban voters are often willing to approve bond initiatives for local recreation measures, thereby creating a reliable source of matching funds. Smaller and more rural communities sometimes lack the voter appetite or bonding capacity to create local matching funds, as well as the capacity to write and develop competitive grant proposals. As a result, more grants are given to larger communities; underserved populations remain underserved. To address this problem, the RCO is creating a match waiver program for WWRP grants that will be driven by measures of hardship such as median household income, declarations of disaster areas, and other risks. It aims to have the program developed by 2018.

LESSONS LEARNED

Citizen engagement adds fairness and transparency.

Washington's program is one of the oldest and most successful in the United States, and by all accounts one of its key ingredients is collaboration and citizen involvement. From the original campaign to create the WWRP, to review of every grant application, to the biennial lobbying for appropriations, Washington citizens, businesses, and communities are involved in the entire process and information is accessible through resources such as the PRISM database. While this level of engagement can slow down the process, it also results in transparency and fairness, local buy-in, and highly vetted projects that represent the best opportunities to improve outdoor recreation in Washington.

The Coalition helps create a unified voice.

A diverse, focused, broad-based coalition is key to Washington's success. The Coalition puts forward a unified, holistic view of the WWRP to the Legislature, making the voice of outdoor recreation in the appropriation process more powerful than if individual organizations acted alone. The Coalition also adds capacity to agencies and organizations that may be lacking lobbying abilities independently. The Coalition creates a forum for working out the real or perceived tension between sometimes conflicting values, such as conservation and open space with recreation, but keeps these debates out of the Legislature.

Administration by an agency that does not manage recreational resources makes for a robust process.

While many states combine granting programs with public land and resource management, housing grants within state parks or fish and game departments, Washington has taken the unique approach of managing funding through a stand-alone, independent agency focused exclusively on supporting recreation and conservation through grants. This allows the RCO to focus on grantmaking and effective support of grant sponsors rather than land and resource management. RCO's independent funding for its own operations means that it never competes for funding with the agencies and organizations that receive its grants.

A frequent funding cycle promotes engagement and adaptability.

While it may seem counterintuitive, the biennial cycle of WWRP appropriations creates added opportunities. The biennial lobbying and project vetting requires active and engaged partners; there is no time for complacency. The recurring need for advocacy and support has resulted in the long-term sustainability of the Coalition, as the ongoing need for communications and collaboration of the Coalition strengthen the program's effectiveness. The rapid timeframe allows the state and partners to adapt to changing opportunities, challenges, and needs in Washington.

Figure 10.1 – WWRP Funding Allocations

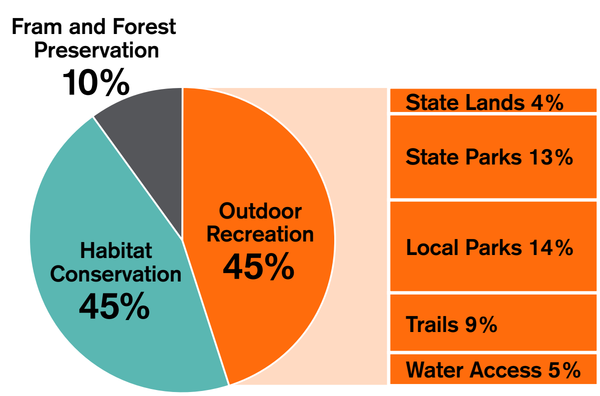

Table 10.1 – WWRP Outdoor Recreation Grant Categories and Eligibility			
Category	**Percent of Outdoor Rec Grants**	**Eligible Uses**	**Eligible Applicants**
Local parks	30%	Acquisition, development and renovation of active and passive parks. 40-50 percent must be for new acquisitions. Maximum grant is $1 million for acquisitions, $500,000 for development or renovation, and $1 million for combination grants, though no more than $500,000 can be used for development or renovation costs.	Local agencies
State Parks	30%	Acquisition and development of state parks. 40-50 percent must be used for new acquisitions. Renovations of existing facilities are ineligible. There is no minimum or maximum grant amount.	State Park and Recreation Commission
State Lands	10%	Development and renovation of outdoor recreation facilities on existing recreation lands. Grants must be between $25,000 - $325,000.	Dept. of Natural Resources, Dept. of Fish and Wildlife
Trails	20%	Acquisition, development, and renovation of non-motorized trails and trailhead facilities (excluding roadway or sidewalk improvements). This includes pedestrian, equestrian, bicycle, or cross-country ski trails. There is no minimum or maximum grant amount.	State and local agencies
Water Access	10%	Acquisition, development, and renovation of lands and facilities that provide physical access to shorelines for non-motorized, water-related recreation such as boating, fishing, swimming, and beachcombing. 75 percent must be used for new acquisitions. There is no minimum or maximum grant amount.	State and local agencies

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END NOTES

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