



## **Analysis of Funding Options Receiving 6+ Votes**

### **Sustainable Funding Level**

DNR's budget for recreation has declined over the last several budget cycles. In 1990, funding for recreation on state lands amounted to \$1 for every person in the state of Washington. In 2008, that number was only 38 cents for every person in the state. Currently, DNR's recreation program budget is \$6.2 million when including non-dedicated funding such as grants, volunteer hours, and one-time appropriations from the legislature, which make up \$3.8 million of the budget.

Any sustainable funding source needs to be able to provide enough revenue to adequately develop and manage landscapes in the long term. DNR has 74 DNR landscapes throughout the state. Effectively developing and managing a landscape requires sufficient planning, construction, maintenance, signage, education, and enforcement. To do this requires \$6.5 million in initial costs and ongoing costs of approximately \$205,000 a year per landscape.

### **Option 1: Allocate a Percentage of Lottery Revenue**

(Potential revenue range: \$4-8 million for specialty scratch tickets or other lottery funds contingent on the proportion of the allocation)

Washington's Lottery sells lottery tickets to the general public. Sales of lottery tickets pay for the costs of running the lottery business, while delivering the profits to the public good such as prize winnings and state programs.

Lottery ticket sales for fiscal year 2008 totaled \$521 million. Washington's lottery offers eight different types of lottery games (included are the total 2008 sales for each type of game):

- Scratch — \$330.5 million
- Mega Millions — \$65.4 million
- Lotto — \$57 million
- Raffle — \$4.6 million
- Hit 5 — \$29.8 million
- The Daily Game — \$19.7 million
- Daily Keno — \$6.5 million
- Match 4 (introduced in 2009)

By law, the Lottery Commission is required to distribute all of its net income to its beneficiaries. In fiscal year 2008, the net income was more than \$130 million, in 2007 it was \$117 million. In the last four years, approximately 22 percent of lottery sales went to its beneficiaries.

Education construction receives most of the net profits from lottery sales. The various stadium bond programs receive funds from specialty sport scratch games. A portion of the shared lottery proceeds address problem gambling. Unclaimed prize money is placed into an account for economic development.

Specifically, in 2008, lottery sales were dispersed to the following:

- \$102 million — Education Construction Fund
- \$11.1 million — General Fund
- \$4.7 million — King County (Safeco Field)
- \$8.5 million — Stadium and Exhibition Center Account (Qwest Field)
- \$3.7 million — Economic Development Account
- \$268 thousand — Problem Gambling Account

**Pros / Cons of allocating a percentage of Lottery revenue**

<b>PROs</b>	<b>CONs</b>
Long history of providing a fairly stable source of funding.	Any new scratch ticket games and electronic games require 60% vote approval from both the State Senate and House.
System in place for collecting and distribution of revenue.	Having lottery funds be allocated to DNR for the benefit of providing recreational opportunities would require the legislature to amend existing statutes, specifically RCW 67.70.
Some lottery revenue is already used for recreation related purposes (stadiums).	Potential image that gambling is being promoted for the benefit of recreation on DNR-managed lands.

**Option 2: Create Specialty Vanity License Plates**

(Potential revenue range: \$40,000 - \$100,000)

The legislature has directed the Department of Licensing to provide motor vehicle owners the option of purchasing specialty license plates that generate revenue for a specific organization or government program. The additional cost to purchase a specialty background plate is \$40 per vehicle, with a \$30 yearly renewal fee. Revenue generated by specialty plates varies greatly. For instance, in 2008 the Wild for Washington plates generated \$107,000 for wildlife viewing activities in Washington. The State Parks license plates generated \$49,000 in 2008.

**Pros / Cons of revenue from specialty vanity license plants**

<b>PROs</b>	<b>CONs</b>
Uses an existing system to produce the product, as well as to collect revenue.	The legislature would need to amend existing statutes, specifically RCW 46.16, to create a specialty background license plate.
Citizens get to voluntarily choose to fund recreation on DNR-managed lands.	Would not generate a large some of revenue.
Good advertizing for the program and DNR.	

**Option 3: Create a New Statutory Trust**

(Potential revenue: \$30 million per year)

A new statutory trust, similar to the State Forest Trust Lands or Community College Trust Lands, is a possible funding mechanism that relies on the established method of state trust land management. This trust would be managed for the benefit of providing funds for public recreational opportunities on state lands. Land for the statutory trust would be purchased from private commercial entities, potentially using revenue bonds. Start-up funding needed to assemble the new trust land base would range from \$25-50 million per year over a 10-year period for a total of about \$350 million. Targeted types of lands for acquisition would be the same as current state trust land, emphasizing commercial forest and commercial agriculture lands, as well as urban commercial real estate. The acreage for the new trust would depend on the mix of types of land acquired.

DNR would manage the new trust, using a share of gross revenue from those lands, similar to how existing trusts are managed for the various trust beneficiaries. Estimated revenue from the new trust, after management costs and debt repayment, would be negative for the first two budget cycles (2 year-periods) and then build over three budget cycles to reach approximately \$30 million per cycle, depending on the specific revenue-generating activities and market forces.

**Pros / Cons of creating a new statutory trust**

<b>PROs</b>	<b>CONs</b>
Current market conditions are ideal for purchasing blocks of forest lands.	Would require a large initial investment to purchase lands for the new statutory trust.
Provides a stable long-term revenue source.	Legislature would need to pass statutes to create the new statutory trust.
Could provide more recreational opportunities on the new trust land, depending on the type of land acquired, in addition to current recreation on existing trust lands.	Potential concern from individuals and counties about government acquiring more private lands.
	Concern by some about the wisdom of using commercial land and resource management as source of generating public revenue

**Option 4. Camping Fees**

(Potential revenue range: \$ -20,000 to \$800,000)

Nearly half of the 11 states surveyed in the work group’s multi-state comparison charge a fee for camping in state forests. Of the states that do charge for camping, most find it difficult to sustain a positive rate of return for charging fees. While most of the states that charge fees find revenue from fees to be stable, all of the states rely predominately on other funding sources to fund recreation. In the case of Washington State Parks, fees account for 27 percent of the operational budget.

For a camping fee program to be effective, certain factors need to be met. First, there needs to be a practical means of collecting a camping fee. As found in other states, self-registration systems alone are insufficient for collecting fees since many people fail to voluntarily register. As a result, some sort of enforcement check is needed. Second, a camping area must be of a large enough size and quantity. Washington State Parks assumes 100 campsites or more to make it worthwhile to charge a fee. Third, the amount of the fee must be consistent throughout various campsites, as well as be

high enough to provide an adequate rate of return without deterring campers due to costs. In Washington, State Parks charges \$12-\$14 for a primitive campsite (no utilities provided).

**Pros / Cons of charging camping fees**

PRO	CONS
Provides a tool for greater control of the area, allowing a safer camping experience.	Legislature would need to give DNR statutory authority to charge camping fees, as well as change the recreational immunity statute to include DNR (RCW 4.24.210) under the same protections provided to State Parks, and Fish and Wildlife.
	Potential to generate very little revenue, if any, due to the administrative costs associated with the collection of the funds, allocating the revenue and enforcement.

**Option 5: NOVA Funding**

(Potential revenue: \$2.3 Million increase to NOVA and \$1.1 million to DNR’s direct appropriation from the gas tax)

**Background**

Washington currently charges a 37.5 cent gas tax for every gallon of gas sold in the state to fund construction and maintenance of highway roads. By law, any gas taxes paid for gas consumed on non-highway roads is to be refunded. For non-highway vehicles the “refund” is placed into various accounts that fund recreational opportunities for the public. The “refund” is one percent of the gas taxes based on a rate of 21 cents (22 cents as of July 1, 2009) per gallon of gas consumed in the state. The 21 cent rate used to calculate the “refund” is substantially lower than the actual gas tax rate of 37.5 cents per gallon.

Most of the “refund” for non-highway vehicles goes towards to The Nonhighway and Off-Road Vehicle Activities Program (NOVA), administered by the Recreation and Conservation Office. The NOVA program awards grants on a competitive basis to federal, state, local, and tribal government entities for motorized and non-motorized recreation projects. In 2008, the NOVA program received nearly \$3.2 million from the gas tax “refund.” Similar “refund” programs exist for marine and snowmobile uses.

DNR receives a direct appropriation of these NOVA funds to help provide recreational opportunities on state lands. In 2008, the amount that DNR received directly from the gas tax was \$1.4 million. In addition to the direct appropriation, DNR also competes for NOVA grant funding, which in 2008 was \$1.5 million of the DNR recreation program’s budget.

**2007 Expedited Tax Preference Performance Reviews**

The 2007 Expedited Tax Preference Performance Reviews recommended to the legislature that the amount of fuel taxes being refunded for non-highway vehicle purposes be based on the actual amount of gas tax paid by non-highway vehicle users. This would mean calculating the “refund” for non-highway vehicles based on the actual tax rate of 37.5 cents per gallon. By calculating the “refund” to be closer to the actual tax rate, there would be a substantial increase in funding for outdoor recreation. For NOVA, this would equate to a funding increase of \$2.3 million a year (for a total of \$5.5 million), based on the “refund” received in 2008.

**Pros / Cons of adjusting the NOVA funding structure**

<b>PROs</b>	<b>CONs</b>
Removing the restrictions on refunds, while keeping the same proportional distribution of revenue (see RCW 46.09.170) would result in a 41% increase of Off Road Account, of which the DNR receives a portion.	Legislature would need to amend RCW 46.09.170 to remove the restrictions place on NOVA and the Off-Road Account. The Legislature would also need to amend RCW 79A.25.070 and 46.10.170 in order to remove the restrictions on the “refund” accounts for marine and snowmobile uses.
Based on an existing system already in place, would need little resources to implement.	Reduction in revenue for the Department of Transportation and road projects.
The additional sum from the gas tax “refund” for recreation would be adequate to maintain existing facilities and build new facilities on DNR-managed lands.	

**Other Funding Options Receiving 5 Votes**

**Fees**

- Collect fees from commercial guides who use DNR trails and facilities.
- Fee for non-motorized uses similar to the ORV tab fee.

**Miscellaneous**

- State bond to establish a recreation fund for specific areas.