



Additional Funding Options | July 10, 2009

To: Members of the Sustainable Recreation Work Group

Subject: Additional options for funding recreation on DNR-managed lands

In May 2009, DNR provided you with an overview of several options for funding recreation on DNR-managed lands. Many of you requested information about additional funding options, which are provided in this document.

- Campground concessionaires
- Commercial leases
- Powerball (multi-state) lottery
- Sales tax allocation
- Additional discussion: Online permitting system

Campground Concessionaires

Potential revenue range: \$3,500 per agreement per year with an annual savings of \$10,000 in reduced maintenance costs*

**Does not include administrative and maintenance costs*

A concessionaire agreement enables a government agency to contract with a private business to operate a for-profit service—such as operating a campground—in exchange for a fee or rent based on a portion of revenues (usually 5-15 percent).

Campground concessioners are generally responsible for collecting fees, keeping campgrounds clean, doing light maintenance and upkeep, and providing a presence to the public. The government agency is responsible for more non-routine repairs; installing infrastructure such as electrical hookups, restrooms, children's play areas; and improvements and renovations to the campground including fire rings, picnic tables, and campsites pads. Renovation costs can be significant over time and may require spending a large portion of the payments the government agency receives from a concessionaire

Financial success from a concessionaire agreement depends on many factors, including how easy the campground is to maintain, the number of campsites per campground, and if the campground is located near highly populated areas where supplies can be easily purchased and transported.

Most of DNR's campgrounds throughout the state are considered primitive, with five to 25 campsites located at each campground. The only real exception to DNR's primitive nature campgrounds is Swift Reservoir Campground, which is on state trust land leased to a private utility company who uses a concessionaire to manage the campground.

To be economically viable, concessionaire-managed campgrounds on DNR-managed lands would need to generate more than \$50,000 of revenue per year. Assuming that the campground is easy to manage, primitive, and charges a competitive fee of \$10 per night a campground would need to have 95 campsites to become viable.

State Forests usually have multiple campgrounds, with a total of 22 to 56 campsites forest-wide. Capitol State Forest has the greatest number of total campsites at 101. Given the few number of campsites currently within most State Forests, it becomes difficult for a concessionaire to generate enough revenue to have a viable concessionaire business venture.

In many of these State Forests, campgrounds are spread out over large areas, such as in the Loomis and Olympic Experimental state forests, making for long distances to travel from one campground to another. The large amount of travel to manage these campgrounds makes a concessionaire business venture much less viable.

The pros and cons of campground concessionaires

PROs	CONs
Long history of providing a fairly stable source of funding for other agencies, such as state parks and the US Forest Service.	Would commercialize camping on DNR-managed lands and would require campers to pay a sizeable fee.
Would create a greater management presence in campgrounds.	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.
Would produce significant costs savings in DNR's recreation budget for maintenance and operation of campgrounds.	Would not generate a large sum of revenue to fund recreation throughout the state.

Commercial Leasing

(25-30 percent of rentals from commercial leases)

Current recreational leasing on DNR-managed lands includes large commercial enterprises such as resorts, rifle ranges, and golf courses. Sunbanks Resort in eastern Washington—with a marina, cabins, and villas—is a successfully managed recreation business venture on state trust lands.

Other states have had successful lease arrangements. The Colorado State Land Board provides recreational opportunities by leasing state trust lands to outdoor recreation organizations and clubs. Leases to organizations or clubs allow for multiple-use, where recreation occurs in addition to traditional revenue-generating activities, such as forestry

and grazing. To reduce conflict with other revenue-generating activities, recreation lessees must follow certain restrictions and requirements.

In addition to Colorado’s multiple-use leasing program, many outdoor recreation organizations and clubs throughout the country lease land from private individuals and companies in order to have more places to recreate at. Since organizations and clubs are not necessarily profit seeking, many clubs allow members of the public to use the leased land at little to no charge. Where clubs do charge for access to trails, camping, or hunting areas, most of the money goes to help pay for the lease and insurance.

Lease rates on state trust lands must be based on the fair market rental value, which will vary from lease to lease. A majority of the revenue from leases goes to the respective trust beneficiaries. However, 25 to 30 percent of the lease revenue goes to the Resource Management Cost Account (RMCA), which pays for DNR’s land management activities. Portions of the RMCA’s lease revenue could be allocated to DNR’s recreation program.

The pros and cons of lease agreements

PROs	CONs
Would produce a stable stream of revenue for DNR recreation.	Would not generate a large sum of revenue for DNR recreation.
Would produce more recreational opportunities on state trust lands without negatively impacting DNR’s budget.	Could create image that recreation on state lands is exclusive for those who are willing and able to pay for a lease.
	Could create confusion between DNR’s recreational sites and a lessee’s sites.

Powerball (multi-state) Lottery

Estimated annual revenue: \$11 to 20 million

Powerball is a combined large jackpot and cash game. The Multi-State Lottery Association (MUSL) administers Powerball for 30 member states that have lotteries. Washington is not a member of MUSL.

Fifty percent of revenues from Powerball goes toward prizes. The other 50 percent pays for the cost of administering the lottery and funds various state programs, such as schools, hospitals, trails and parks.

Pros and cons of allocating a percentage of Powerball Lottery revenue to support recreation on DNR-managed land.

PROs	CONs
Long history of generating a fairly sizeable amount of funding in other states.	Organization administering Powerball (MUSL) is currently opposed to Washington participating in Powerball.
Other states' lottery associations already provide funds to outdoor recreation using Powerball revenues.	Dedicating lottery funds for recreation on DNR-managed lands requires the legislature to amend existing statutes, specifically RCW 67.70 .
	Potential image that using lottery revenue to fund recreation on DNR-managed lands promotes gambling.
	Amount of funding being generated can be highly variable, as sales are often associated with the size of a jackpot—the bigger the jackpot, the more people are inclined to buy tickets.

Sales Tax on Sporting Goods—2 Options

Option A. Additional 1 percent excise tax on all sporting goods

Estimated annual revenue: \$15 Million

An additional 1-percent excise tax on sporting goods could be collected, similar to the excise taxes already in place for cigarettes, tires, and motor vehicles. The excise tax would be collected by the retailer at the time of purchase. The 1 percent excise tax would be in addition to the current 6.5 percent sales tax charged throughout the state on goods and services.

In 2008, sales of sporting goods (not including motorized vehicles) in Washington State totaled \$1.5 billion. A 1-percent excise tax on sporting would have amounted to \$15 million in tax revenue based on 2008 sales.

Pros / Cons of utilizing an additional excise tax on sporting goods	
PROs	CONs
Would provide a sizeable and stable source of funding.	Retailers would have the burden of collecting and tracking the excise tax.
Would not reduce revenue to the State General Fund.	Would require the legislature to amend existing statutes, as well as pass new statutes.
	The types of purchases being taxed would be broad enough to include indoor sporting goods, as well as outdoor team sports (e.g.

	football, baseball, soccer, etc.)
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Option B. Allocate sales tax attributed to the purchase of sporting goods for DNR-managed recreation

Estimated annual revenue: \$97.5 million, a portion of which could be dedicated to DNR

In 2006, Washington’s retail sales tax generated roughly \$6.8 billion in tax revenue, which accounted for 50 percent of state taxes deposited into the State General Fund. Retailers collect the sales tax from their customers upon purchases of goods and services.

Currently, Texas allocates all of the sale taxes attributed to the purchase of sporting goods to fund outdoor recreation. This tax revenue is not an additional tax, but rather consists of allocating a portion of Texas’s general sales tax revenue that is attributed to the purchase of sporting goods. Revenue from sporting goods is based on an estimate done by the state’s comptroller who relies significantly on a national survey that looks at the household purchases of sporting goods.

Pros / Cons of allocating sales tax from sporting goods for DNR-managed recreation

PROS	CONS
Would provide a significantly sizeable and stable source amount of funding.	Reduction in revenue for the State General Fund.
This method has been shown to be effective for funding outdoor recreation in the state of Texas.	Would require the legislature to amend existing statutes, as well as pass new statutes.
Retailers would not have the burden of collecting and tracking new taxes.	The types of purchases being taxed would be broad enough to include indoor sporting goods, as well as outdoor team sports (e.g. football, baseball, soccer, etc.)

Additional discussion: Online Permitting System

Technology currently exists that enables the public to purchase permits of many varieties online, using their computer or through the web browser feature on a cell phone.

Implementing an online payment program would require a large initial investment to purchase computer equipment, develop the permit software application, and other infrastructure. Any online payment program would need to have extensive involvement by the Washington State Department of Information Services. Costs of implementing the program would vary greatly based on the amount of online security provided for payments, data gathered for each permit, and the degree of maintenance. Total costs could be in the high hundreds of thousands of dollars.