Dedicated Revenue Sources for California State Parks

FORWARD OBSERVER

March 24, 2014

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Introduction

Over the past two years, administrators of the California State Parks (CSP) system have begun grappling with the financial challenges that have been slowly escalating for decades. Though the state increasingly relied on user fees and concessions to replace General Fund allocations, the $22 million budget cut in 2011 marked a “tipping point” for the system, nearly forcing the closure of a quarter of CSP’s parks, beaches, recreation lands, and museums. Saved only by an emergency outpouring of support, the state has recognized the urgent need to reform CSP’s funding structure in order to not only keep its doors open, but to address annual funding shortfalls that have led to $1.3 billion dollars in deferred park maintenance projects.

Responding to reports, audits, and investigations into the parks system, in 2012 the Legislature passed AB 1478 and AB 1589, together encouraging the creation of an advisory council to recommend management, planning, and funding strategies as the parks system moves forward. These bills led to the formation of the Parks Forward Commission, a Blue Ribbon task force given a mandate to identify “appropriate revenue sources for the Department and park units, including the General Fund, user fees, concessionaire and other operating revenues, existing special funds, and new fees, taxes and assessment opportunities.”

This paper is intended to assist the Commission as it addresses these necessary changes, providing supporting information related to potential dedicated funding sources from around the country as part of a long-term sustainability plan for state parks. Among the five largest state park systems, only Alaska and California do not have a dedicated revenue source for parks – a strategy implemented by dozens of other states following an average decrease in General Fund support of 25% in the last two decades.

Though there is not a “one-size-fits-all” model for state park systems, California has a number of options to consider based on already-existing approaches throughout the country. This paper summarizes six potential new revenue sources for state parks, many of them drawing upon a January 2013 report by environmental policy think tank Resources for the Future (RFF). The paper provides examples of its operation in other states, relevant context for California, and common arguments for or against each proposal

Revenue sources include the following:

1. Vehicle License Integration (Montana, Washington and Michigan)
2. Dedicated state sales tax (Missouri, Arkansas and Minnesota)
3. Resource extraction tax (Pennsylvania and Michigan)
4. Statewide real estate transfer tax (Maryland, New York, Florida and Pennsylvania)
5. Property Tax (Washington South Carolina)
6. Statewide hotel tax (Hawaii and Montana)

This paper does not recommend any specific new revenue source, and is intended to provide the Commission with additional information to support its deliberations.

1. Vehicle License Integration

Summary

States can generate millions of dollars for parks by integrating the purchase into the vehicle registration process. A handful of states currently use the motor vehicle registration renewal process as a dedicated source of revenue for state parks, often associated with selling annual park entry passes. Residents who elect to pay the license renewal fee receive a pass for free entry to most or all state parks for the year, with money collected through the fee typically used for maintenance and operations at state parks. As implemented in three states, the funds are collected on either an “opt-in” or “opt-out” basis.

Other State Experience

Dozens of states sell annual state parks passes, including California. Three states offer the ability to purchase such a pass during the vehicle registration renewal process – Montana, Washington, and Michigan. This policy puts the choice to support state parks in front of a large percentage of adults who otherwise might not consider purchasing an annual pass.

- **Montana**: Montana collects a $6 fee during its annual vehicle registration in exchange for free access to state parks for Montana residents. The fee is the park system’s largest single source of funding, providing approximately a third of its total funds and replacing day-use user fees, assistance from the general fund, and fees from hunting and fishing licenses. The fee is charged on an opt-out basis and operates on the honor system without a sticker or placard; residents who choose not to pay must sign a waiver forfeiting their right to visit Montana State Parks for the year or for the lifetime of ownership of the vehicle. Collected from approximately 75% of Montana drivers, the fee generated more than $2.7M for Montana state parks in 2009.

- **Washington**: The state of Washington introduced the “Discover Pass” in 2011, issued to residents as a placard placed on the rear-view mirror. The $30 pass is offered during the license renewal process and provides full entry to state-managed recreation lands. The Discover Pass was created by the Legislature as a solution to keep state recreation lands open, replacing rapidly declining support from the general fund. State support has eroded from $98 million in 2007-09 to just more than $21 million in the current two-year budget cycle.

  Revenues from sales of the pass are used for park operations and maintenance of recreation lands and facilities, with funds split between three agencies: 84 percent to State Parks, 8 percent to the Department of Fish and Wildlife, and 8 percent to the Department of Natural Resources. Participation has been far lower than predicted when the program was set up, however, offered as one of several donation options at the end of the vehicle license renewal process. Revenues from Discovery Pass sales fell short of projections by approximately $10 million in its first year, generating just $13.2 million.

- **Michigan**: Michigan's "Recreation Passport" program offers an $11 fee per vehicle for entry to all state parks and recreation areas. Adopted in 2010, the pass is applied as a windshield decal or license plate sticker. Though purchased on an opt-in basis, residents cannot finalize the vehicle registration process until explicitly making a choice. Governor Rick Snyder and Michigan Department of Natural Resources Director Keith Creagh, have both recommended the system change to an "opt-out" system in the future in order to capture more revenue (Office of Gov. Rick Snyder, October 19, 2012).

  Statewide participation exceeded 27% in its second year of operation and, selling more than 331,000 passes and generating more than $20.7M in revenues. Revenues are used to support maintenance and operations of state parks, forest campgrounds, trails, and historic and cultural sites located in state parks. A grant program also distributes money to community parks throughout the state, awarding $600,000 to 24 community parks in 2011.

California Experience

In May 2008, Assemblymember John Laird proposed a State Parks Access Pass as part of the Democrats' draft state budget for FY 2008-09. His proposal would have raised vehicle registration fees by $10 per vehicle in exchange for free year-round access to state parks, raising a net total of approximately $242 million. The proposal applied to all non-commercial vehicles and did not provide a means for opting out.

In June 2009, the Budget Conference Committee voted to eliminate general fund support for state parks and replace it with a $15 surcharge on vehicle license fees on non-commercial vehicles. The proposal was not adopted as part of the final state budget.

In November 2010, voters rejected Proposition 21, which would have imposed an annual $18 per vehicle surcharge to provide dedicated funding for state parks and wildlife conservation programs, while eliminating state park entrance fees for Californians. According to the LAO, the measure would have raised approximately $500 million per year.

Estimated Revenues

Forecasts from the California Department of Motor Vehicles estimate that just over 30 million vehicles will be registered or renew their registration in FY 2013-14. The following table estimates the revenues from an annual pass sold through the DMV, on either an opt-in or opt-out basis. Assuming a 50% participation rate, or 15 million registrations, a vehicle license registration fee could generate between $75M and $180M annually.

Estimates of Potential Revenue From New Vehicle License Registration Fees					
Fiscal Year	Participating Fee-Paid Registrations (est.)	x $5.00	x $7.50	x $10.00	x $12.00
2013-14	15,036,536	$75.2M	$112.75M	$150.4M	$180.5M

Source: California Department of Motor Vehicles, Forecast of Fee-Paid Vehicle Registrations by Type of Vehicle for FY 2011/12 through 2015/16. Forward Observer Calculation.

Arguments in Favor

Purchasing a parks pass during the registration process may have lower transactions costs for the buyer than purchasing entry at the park or online. Administrative costs to the government associated with collecting the fees may be lower. Inserting the option to purchase an annual state parks pass into the vehicle registration process also to reach a greater people since all vehicle owners will have to make a decision whether to buy a pass.

Supporters of Prop 21 in 2010 contended that a dedicated funding was crucial given the poor record of prioritizing maintenance and upkeep in prior years. "Our park facilities are poorly maintained, unsanitary and falling apart. With no reliable funding, state parks have accumulated a backlog of more than $1 billion in maintenance and repairs. Cuts in ranger and lifeguard positions have reduced safety and increased crime" (California Secretary of State, November 2, 2010)

Editorials in support of Prop 21 called the plan "a small price to pay to preserve and protect a vital part of California." (San Jose Mercury News," August 15, 2010).

Arguments Against

The RFF report notes that one drawback to annual passes is that "if certain parks are congested on certain days, the annual pass removes the ability to charge a higher price on those days to manage congestion." This also prevents CSP from pricing park entry and access to amenities at different levels according to the public's interest, or even dynamic pricing.

Editorials opposed to Prop 21 called the measure a "shell game," and argued that parks "are not the top priority at a time when schools, public works and other critical local and state services are being cut" (Contra Costa Times, September 7, 2010). The San Francisco Chronicle also warned that the measure "robs Sacramento of the flexibility needed to set priorities and write a budget," while noting that "there is no clear connection between the tax source… and the expense of running state parks" (San Francisco Chronicle, September 15, 2010).

2. Dedicated State Sales Tax

Summary

A dedicated sales tax in support of state parks would entail a small increase to the current state sales tax of 7.5%. This approach is currently used in three states to fund state parks – Missouri, Arkansas, and Minnesota – which levy taxes of just a fraction of a cent. Given the state's two trillion dollar economy, a small dedicated sales tax in California to support parks could either be permanently or temporarily implemented as a measure to tackle deferred park maintenance projects and/or create an endowment or "rainy-day" fund.

Other States Experience

Missouri, Arkansas, and Minnesota use a small portion of their statewide sales tax to pay for their parks systems. These taxes range from one-tenth of one percent to three-eighths of one percent, generating approximately $20 to $30 per year per resident to fund state parks. Sales tax revenues in these states do not fully fund parks in any of these states. Arkansas and Minnesota receive general fund revenue and all three collect user fees. Minnesota also has dedicated funding from state lottery proceeds and some other smaller funding sources.

- **Missouri** dedicates half of a .001% sales tax to funding its state parks system, providing $36 million or about 75% of its total budget in 2013. The tax has been reapproved by voters three times since it was originally enacted in 1984, with more than two-thirds of voters supporting the tax in the most recent vote in 2006. Missouri also has a separate sales tax of one-eighth of one percent for conservation purposes, though the state legislature has unsuccessfully attempted to divert this money to the general fund or other purposes more than 50 times in the last nine years.

- **Arkansas** passed a constitutional amendment in 1996 dedicating 1/8th of one cent of the state's general sales tax for land conservation, divided between the Arkansas Game and Fish Commission (45 percent), Arkansas State Parks (45 percent, Arkansas Heritage Commission (9 percent) and Keep Arkansas Beautiful Commission (1 percent). The tax yielded almost $59 million in FY 2006-07, and generated more than $475 million in its first ten years (Arkansas Game & Fish Commission).

- **Minnesota** passed a Constitutional Amendment in 2008 increasing the sales tax by three-eighths of a percent, with the revenues dedicated to state parks; natural conservation and restoration; and to protect and enhance water quality. The amendment passed with 56% of the vote. The revenue from the sales tax are distributed as so: 33% to protect and restore natural habitat, 33%to water quality from streams and groundwater,14.25% to support state parks and 19.75% for the arts. The sales tax is estimated to generate $11 Billion over the twenty-five years.

California Experience

California's statewide sales tax does not currently dedicate any revenue to state parks, though a number of local governments around the state have done so. In November 2012, for example, Marin County voters recently passed Measure A, enacting a one-quarter cent sales tax to "preserve quality of life and maintain open space, parks, and farmland… [and] Protect streams, baylands, natural areas, and wildlife habitat," and is expected to raise about $10 million a year. The measure, which required two-thirds approval from voters, passed with 74.4% of the vote.

Cities and park districts in the county recently received their share of the first six months of proceeds from Measure A, splitting more than $730,000 between nineteen local governments (Marin Independent Journal, December 18, 2013).

Estimated Revenues

If California earmarked a portion of the statewide sales tax to support state parks, at the levels used by Missouri, Arkansas, and Minnesota, the state could direct between $279 million and $2 billion in general fund revenues to parks and conservation purposes.

Estimates of Potential Revenue from Parks Funding Sales Tax				
Fiscal Year	Total Taxable Sales	MO (1/20¢)	AR (1/8¢)	MN (3/8¢)
FY 2011-12	$558,052,000,000	$279.03M	$697.57M	$2.09B

Source: "Taxable Sales in California," State Board of Equalization; "California Economic Indicators," Department of Finance, Forward Observer calculations.

Arguments in Favor

Funding state parks systems through a general sales tax has a number of virtues. For example, it allows the tax rate to be relatively small, keeping the average financial burden on a household minimal. Additionally, all Californians contribute to state parks rather than just frequent users, creating 'buy-in' for state parks and preventing the "development of particular constituencies that dictate the use of state park funds" (Resources for the Future, January 2013)

In Marin County, supporters of Measure A emphasized local control of funds, as well as the argument that "visitors from outside Marin County will pay their fair share to fund the park and open space services they enjoy." Importantly, prior to the election the county publically submitted a detailed plan for the potential funding, showing exactly which programs and projects will be receive funding. Additionally, in this case, none of the money generated by the sales tax was allowed to be spent on administrator salaries or pensions.

Arguments Against

Measure A was primarily opposed by the Marin United Taxpayers Association, which called the proposition a "regressive sales tax hike that hits the poor the hardest" in the official arguments. Opponents also asked voters to consider that the proposal would "only benefit the well-connected while ignoring the elderly, the ill and the needy."

3. Resource Extraction Tax

Summary

Thirty-six states around the country currently levy a tax on natural resource extraction, providing an important source of funding for a number of state budgets. In fact, such revenues comprise 64% of total tax collections in Alaska, 40% in Wyoming, and 22% percent in North Dakota. Often known as a resource extraction or severance tax, these taxes are normally imposed on the removal of nonrenewable resources such as crude oil, condensate and natural gas, methane and carbon dioxide.

California is the fourth-largest oil producer behind Texas, Alaska and North Dakota, though it is the only major oil-producing state that does not tax oil per barrel. These taxes occasionally used to fund park and conversation interests, including states such as Florida, Colorado, Michigan, and Pennsylvania.

Other State Experience

- **Florida** devotes 25.5% of its severance tax revenue levied on phosphate rock development to the Conservation and Recreation Lands Trust Fund (CARL). The purpose of CARL is to protect and conserve Florida's natural environment, including "natural resource based recreation and other outdoor recreation." CARL receives approximately $7M - $10M annually from phosphate severance taxes.

- **Colorado** allots a small part of its severance tax receipts to the Division of Parks and Outdoor Recreation, totaling just 2.5% of total revenues. An additional 2.5% is used for programs within the Division of Wildlife, with the remainder funding others projects within the Department of Natural Resources and Department of Local Affairs. This amount represents a severe decrease in severance tax funds, decreasing from $11 million in 2008 to just $5 million in 2011.

Two other states dedicate a portion of the royalties, rents, and bonus payments on mineral and oil and gas leases on public lands to state parks and other outdoor programs and activities.

- **Michigan** uses 100% of its lease and royalty payments from oil, gas, and other mineral development for recreation and conservation projects. The Michigan Natural Resource Trust Fund (MNRTF) was created in 1984 with proceeds used to both acquire and develop public recreation lands. Ten years later, the state formed the Michigan State Park Endowment Fund (MSPEF) for operation, maintenance and capital improvements at Michigan's State Parks. The MNRTF reached its cap of $500 million in 2011, with revenues exceeding this cap deposited into the State Parks Endowment Fund. As of 2012 the Endowment Fund totaled $171,000,000. The MNRTF has funded nearly $1 billion dollars of conservation projects since it began.

- **Pennsylvania** began imposing an "impact fee" on every well drilling for gas in the Marcellus Shale formation in 2012. Based on natural gas prices and the Consumer Price index, the state collected $204.2M in its first year, distributing 15% ($10,872,600) to the rehabilitation of greenways, recreation trails and open space or natural areas.

California Experience

Proposition 87 in 2006 was defeated by California voters 54.6% to 45.4% by approximately 774,048 votes. The measure would have imposed a severance tax of between 1.5% and 6% depending on the price of oil per barrel.

Senator Noreen Evans introduced SB 241 in 2013, which would impose a 9.5% tax per barrel of oil and 3.5% per unit of natural gas, raising an estimated $1.5 billion annually. According to the author, five percent of these funds (approximately $75 million) would be allotted to the Department of Parks and Recreation "for the maintenance and improvement of state parks."

Estimated Revenues

SB 241 would impose a 9.5% severance tax on oil and 3.5% tax on gas extracted in California, with revenues from the tax deposited into the California Higher Education Fund. Proceeds would be divided between three accounts; 90% to higher education, 5% to the Department of Parks and Recreations, and 5% to a reserve account for disaster relief.

According to the CA Bureau of Equalization, the measure would generate approximately $814 million for 2013-14 and $1.5 Billion in 2014-15, and thus potential revenue of $75 million annually for state parks. In a press release issued May 1, 2013, Senator Evans added "If fracking in the Monterey shale region is allowed, those estimates would increase significantly to $1.7 trillion, with park revenue of $85 billion annually (Office of Sen. Noreen Evans, May 1, 2013; Senate Appropriations Committee Fiscal Analysis: SB 241, May 20, 2013).

Arguments in Favor

When profits are earned from resource extraction, many feel that it is appropriate for the land to earn a "dividend" in return in the form of an extraction tax – a position adopted, for example, by the Outdoor Resources Review Group (ORRG). Led by Senators Lamar Alexander and Jeff Bingaman, the bipartisan panel reviewed conservation and outdoor recreation issues and concluded in its final July 2009 report that one aim in identifying potential resources would be "to enshrine in law the sound, central principle that when public resources are exploited or impaired, a portion of the proceeds will be reinvested in protecting and improving the country's outdoor resources" (ORRG, July 2009)

In a December 2013 op ed in the San Francisco Chronicle, environmental activist Tom Steyer wrote that "California is the only major oil-producing state in the nation that does not collect taxes from the extraction of oil on private lands."

> "Even after accounting for property, income and corporate taxes, the combined revenue collected in California is $4.22 per barrel," compared with $14.40 per barrel in Texas and "similarly high levels of taxation" in Alaska, Louisiana, Montana, and North Dakota.
>
> "A 2014 New Year's resolution every Californian can support," San Francisco Chronicle, December 15, 2013

In a May 2013 press release, Senator Evans commented that "It's time for California to profit from its limited natural resources and reinvest in our core services.… We've cut to the bone to balance the budget for the last several years; meanwhile oil companies reap billions of dollars in profits every year. Big Oil's free ride needs to end and the industry must pay its fair share for the resources that belong to every Californian." (Office of Senator Evans, May 1, 2013). Evans later added, "Oil is a natural resource owned by all California…. By not taxing it, we're giving the oil industry a huge subsidy at the expense of educating our children (Los Angeles Times, December 22, 2013).

Arguments Against

According to Catherine Reheis-Boyd, president of the Western States Petroleum Association (WSPA), "California's property taxes and high business income and sales taxes practically substitute for a severance tax."

> To start with, Californians shouldn't believe that just because the state lacks an oil severance tax -- a levy on each barrel extracted from the ground -- it doesn't tax oil altogether. To the contrary, California's property taxes and high business income and sales taxes practically substitute for a severance tax. […]
>
> In 2012, royalty payments to Sacramento exceeded $500 million. Moreover, oil companies pay billions to private individuals who own mineral rights, which also generates taxes.
>
> "Think California is too generous with oil companies? Think again," Los Angeles Times, December 24, 2013

Arguments against Proposition 87 in the California Voter Information Guide for the 2006 election stated, "Passage of 87 is not a tax on profits but is a tax on California oil production…. This increased tax would reduce production in California resulting in more imported gas with its attendant increase in transportation and refining" (Prop 87 Official Title and Summary, Accessed January 30, 2014).

Reheis-Boyd warns that a severance tax would "threaten the jobs of some of the 330,000 people whose livelihoods are both directly and indirectly linked to the petroleum industry in California," particularly in the economically-depressed San Joaquin Valley (Los Angeles Times, December 24, 2013).

Tupper Hull, spokesman for the Western States Petroleum Association, commented: "[A]ny economist will tell you that when higher taxes are imposed on a commodity like oil, production will be shifted to lower tax places…. Companies have choices about where to make investments in the global arena. And California could lose jobs" (Los Angeles Times, December 22, 2013).

4. Real Estate Transfer Tax

Summary

A real estate transfer tax is a fixed, usually small, percentage of the property sales price in each real estate transaction, collected either by the state, local government, or both. The tax generally applies to deeds, instruments, and other documents used to sell, transfer, grant, or assign real property, usually based on the value of the property.

Other States Experience

Eleven states use a real estate transfer tax to fund open space acquisition and preservation programs. Arkansas and Vermont use the tax to fund the preservation of farmlands and historic properties, while Delaware uses the tax to pay the annual debt service on bonds that were issued specifically for open space preservation. Other states such as New York, Florida, and Pennsylvania use transfer tax revenues to finance land acquisition for parks and capital projects, though not to fund park operations.

- **Maryland** levies a tax of 0.5% to support Program Open Space (POS), split between state and local government. At the state level, POS funds are allocated to purchase land for state parks and other conservation sites for public use, with a portion also dedicated to capital improvements, critical maintenance, and operations in state parks. Local POS programs support land acquisition and building park facilities. Since the state began applying proceeds from the tax to conservation projects it has raised nearly $200 million and funded the acquisition of more than 350,000 acres (Maryland Department of Natural Resources; Maryland Protected Lands Reporting).

- **Florida**'s *Florida Forever* program funds a wide array of conservation programs and provides grants to local communities. The program is paid for by bonds backed by a document stamp tax, assessed at $.70 per $100 on documents that transfer interest in Florida real property. A total of 5% of the Florida Forever's funds are allocated the Division of Recreation and Parks, Office of Greenways and Trails and the Florida Recreation Development Assistance Program. The remaining revenues are dispersed among several other land, water and conservation programs. Since its inception in July 2001, the Florida Forever program has raised $2.89 billion and helped the state acquire more than 700,000 acres of land.

- **New York** uses a real estate transfer tax to support the Environmental Protection Fund (EPF). Established in 1993, the Fund is New York State's dedicated source of funding for critical environmental programs. The EPF is funded by a portion of the revenue generated by the state's real estate transfer tax, allocated $157 million in FY 2014-15. The tax typically brings in between $400 million and more than $1 billion annually in new state revenue. Between 1998 and 2008 the EPF protected 358,000 acres of land in the state (The Trust for Public Land, February 2012).

California Experience

California is one of 14 states that do not collect a real estate transfer tax at the state level. However, the California Revenue and Taxation Code Section 11901 gives both cities and counties the authority to levy a tax at the local level of $0.55 for each $500. Certain jurisdictions including the city of San Francisco, Los Angeles County, and Santa Clara County have imposed additional transfer taxes, as well.

In San Jose, a real property conveyance tax is imposed at a rate of $1.65 per $500 of property value on all real property transfers within the city, with 64% of the revenue designated for park projects. These funds are distributed between parks maintenance projects, park improvements, and open space acquisition. In FY 2007-08, the conveyance tax raised a total of $26.8 million, with approximately $17.1M in support of city parks projects.

Estimated Revenues

The transfer tax rate in Maryland is one-half of one percent of the home sales price. According to the Maryland Association of Realtors, the median home sales price in the state in 2011 was approximately $245,000, for an average transfer tax payment of $1,225. Given median 2012 housing prices in California of $275,000, a real estate transfer tax could potentially generate hundreds of millions of dollars annually.

Estimates of Potential Revenue From Real Estate Transfer Tax

Year	Homes Sold	Median Sales Price	.005%	.1%	0.25%	0.5%
2012	447,573	$275,000	$61.5M	$123.1M	$307.7	$615.4M

Source: DataQuick News, February 6, 2013 Forward Observer calculations

Arguments in Favor

A ballot initiative appeared on the 2008 ballot in San Francisco seeking to increase the real estate transfer tax from 1.5% to a maximum of 2.5% on transfers above $10M. At the time, arguments in support of Proposition N centered on offsetting revenue loss from the decrease in real estate transactions in the city following the economic downturn. However, supporters also pointed to transfer taxes as an efficient and appropriate place to increase taxes.

> Transfer taxes are an appropriate place to increase taxes, because they extract value from property only at the point of sale, and do not provide a direct incentive against economic activity such as job creation. Because the value of property inextricably is linked to the level and quality of public investments, it is appropriate for the City to extract a higher percentage of value at the point of sale as a way to partially recoup its investment.
>
> "Proposition N - Transfer Tax Increase" Voter Guide, San Francisco Planning and Urban Renewal Association, November 1, 2008

Arguments Against

Real estate transfer taxes have found significant opposition in recent years. The state of Oregon banned the taxes as part of Measure 79 in 2012 by a margin of 58.89% to 41.11%. Louisiana voters overwhelmingly banned real estate transfer taxes in 2011. Arguments against such a tax often point to the tax as being regressive, having the largest burden on households with lower incomes. As such, the tax can limit housing affordability for thousands of moderate-income households – particularly first-time homebuyers and those who want to move for economic opportunity.

Because the size of tax revenues from real estate transfers depends on the housing market, such a tax can be considered quite volatile and does not necessarily eliminate the potential for the state parks system to encounter financial difficulties in years of poor performance in the housing market. For example, revenues from the Pennsylvania transfer tax in 2009 were down 31%, while general tax revenues were off by just 7.3%. Research suggests that real estate transfer taxes may also limit residential mobility and dampen house prices (Resources for the Future, January 2013).

5. Property Tax

Summary

Many park systems throughout the country fund local, regional, and state parks through the collection of local property taxes, often collected by special purpose governmental units called Special Park Districts (SPDs). These districts typically have administrative and fiscal independence from their local governments, are often multi-jurisdictional, and are given both taxing authority and the power to issue bonds.

Much like a sales tax, the broad base of a property tax can mean a low rate for providing funding for state parks. In fact, property taxes are the primary revenue source for a number of Special Park Districts, providing an average of approximately 50% of total funding (Resources for the Future, January 2013).

Other State Experience

- **King County, WA**: Residents of King County, WA approved two ballot initiatives in August 2007 increasing property taxes by ten cents per $1,000 of assessed value. The added revenue is used to fund operations, maintenance, and acquisition of parks and trails. Cumulatively, the two levies are expected to raise $217 million over six years (Seattle Times, August 8, 2007).

- **Charleston County, SC**: The Charleston County Park and Recreation Commission (CCPRC) in Charleston County, South Carolina is responsible for operating 10,000 acres of property including parks, beach areas, fishing piers, boat landings, and a number of other recreational amenities within the Charleston County (CCPRC, 2013). The CCPRC receives just over a third of its $35 million operating budget from property taxes, with the remainder largely collected in user fees through an extensive enterprise fund.

- **Cuyahoga County, Ohio**: Cleveland Metroparks in Cleveland, Ohio is a 23,000 acre park system consisting of parks, rivers, hiking and biking trails, golf courses and a zoo. Two thirds of Cleveland Metroparks' budget is derived from a property tax increase approved by nearly seventy percent of voters in 2012. A homeowner with property assessed at $100,000 pays about $86 in property taxes a year. The Cleveland Metroparks system received revenues of $53 million in 2012, two-thirds of its total budget, with the remainder provided by grants, golf course and zoo fees, and other sources.

California Experience

The East Bay Regional Park District (EBRPD) is the largest regional park system in the country, encompassing Alameda and Contra Costa Counties. EBRPD manages nearly sixty regional parks and operates several state parks covering 113,000 acres, with an operating budget of more than $179 million. Formed in 1934, today EBRPD is funded through a property tax of $10 per $100,000 assessed valuation throughout the two counties, supplemented by a $225 million bond in 1988 and a $500 million bond in 2008 – the largest local park bond measure to pass in the nation's history (EBRPD History Timeline).

Despite years of financial challenges and decreasing General Fund support, in 2012 the district added 2,400 acres of land and issued $13 million in grants to local agencies for park projects and acquisition, while submitting a balanced budget for the following year. In fact, General Manager Robert E. Doyle's remarks on the state of the district's park system in the 2013 Operating Budget noted that "after consecutive years of budget reductions, we are presenting a budget without any cuts, and which includes critically important staffing and infrastructure increases, protection of key resources, and fulfillment of ongoing obligations for park improvements (EBRPD 2013 Adopted Operating Budget).

Estimated Revenue

According to the BOE, total assessed value for all property subject to property taxes in California totals more than $4.4 trillion dollars. A statewide property tax of 5 cents per $1,000 of assessed value would generate approximately $222.2M; a tax matching King County, WA of ten cents per $1,000 assessed value would total $444.4M.

The table below provides estimates of property tax revenue in five selected counties as well as the state of California. A full list of counties and revenue estimates can be found in Appendix A.

Estimated Regional and Statewide Property Tax Revenues, Selected Counties and California

County	Total Assessed Property Value	$0.05 per $1,000	$0.10 per $1,000
Contra Costa	145,364,931	7,268,247	14,536,493
Los Angeles	1,101,867,677	55,093,384	110,186,768
Orange	432,520,652	21,626,033	43,252,065
Napa	28,249,075	1,412,454	2,824,908
Sacramento	117,623,964	5,881,198	11,762,396
California	$4,444.1M	$222.2M	$444.4M

Source: "Property Taxes: Net State- and County-Assessed Value of Property Subject to General Property Taxes…, 2012-13," California Bureau of Equalization, Accessed January 30, 2013; Forward Observer calculations

Arguments in Favor

Special park districts have been particularly resilient due to their self-financing and balanced-budget approach, having "managed to weather the downturn somewhat better than most state park systems… in the absence of any significant privatization."

> And it is noteworthy that they have done so in the absence of any significant privatization and without a heavy reliance on philanthropy or complicated partnerships with nonprofits and other groups. In short, they show that an enterprise funding model combined with a broad-based tax providing dedicated revenues can lead to a stable system.
>
> "Paying for State Parks: Evaluating Alternative Approaches for the 21st Century," Resources for the Future, January 2013

Additionally, SPDs also enjoy popular support within their communities, finding "widespread approval… of both the services offered and the funding approach." The East Bay Regional Park District, for example, passed a $500 million bond with more than 71% of the vote at the height of the financial crisis in November 2008. Measure WW, which in turn was an extension of 1988's successful Measure AA, funded park acquisition, capital, and recreation programs in Alameda and Contra Costa Counties (East Bay Regional Park District, 2008).

Arguments Against

EBRPD's General Manager has flagged issues when regional park systems operate state parks. Particularly inhibiting management is the bureaucracy involved in collaborating with state parks administration.

> Robert Doyle, general manager of the East Bay Regional Park District, which runs four state parks on behalf of the department, told Commission staff in an interview, "We can't spend our money in a (state) park that we manage without a huge, difficult approval process. If they don't like one little part of it, it stops. The state bureaucracy has become, in our opinion, more restrictive in modern times rather than less."
>
> "Paying for State Parks: Evaluating Alternative Approaches for the 21st Century," Resources for the Future, January 2013

6. Statewide Transient Occupancy Tax

Summary

Transient Occupancy Taxes (TOT) are charged when occupying a room or other living space in a hotel, inn, tourist home, motel, camping sites, and other lodging. Also known as a lodging or hotel tax in other parts of the country, these taxes are often levied in addition to local taxes at the city, county, or regional level. Ranging from less than 1% to 15% on the price of the lodging at the state level, revenue from these taxes is typically used to fund tourism and marketing programs though in some areas has been expanded to include local parks.

Other State Experience

Statewide hotel taxes are levied in twenty-two states in the U.S. as well as in Washington, D.C., Puerto Rico, and the Virgin Islands.

- **Hawaii**'s transient accommodation tax, set at a rate of 9.25%, raised about $1.5 billion in state revenue in 2013 with an estimated $72 million returned to counties. The remainder of this amount is deposited into the General Fund less $3 million set aside for "protection, preservation, and enhancement of natural resources important to the visitor industry", including maintenance, operations, and acquisition of beach parks and watersheds. (H.B. 1671, February 5, 2014).

- **Montana** collects a 3.0% lodging sales tax and a 4.0% facility use tax on all lodging facilities and campgrounds. While 100% of the sales tax is distributed to the General Fund, the lodging facility use tax is divided between a variety of funds, including 6.5% to the Department of Fish, Wildlife and Parks (DWFP) for maintenance of state park facilities. An additional $400,000 is allocated to the Montana Heritage Preservation and Development Fund which maintains historic properties. In 2012, DWFP received $1.4 million from the tax (Montana Legislative Fiscal Division).

California Experience

More than 450 jurisdictions in California levy a locally administered transient lodging tax ranging from 4 percent to 15 percent, with many sharing revenue with parks services. In Los Angeles County, for example, revenues from the TOT contributed $12.4 million to the non-departmental revenue budget in FY 2011-12, supporting county-wide general fund services such as parks, libraries, senior services, and law enforcement.

The California Travel & Tourism Commission is funded in part by a statewide assessment of .065% on hotels, car rentals, and attractions with total tourism-related revenue of at least $1 million. The fee, which must be reapproved by assessed businesses every six years, was most recently renewed in in March 2013 following a 93% referendum result. The Commission currently has $300 million allocated for the next six years for tourism marketing.

Estimated Revenues

Based on data collected by Portland-based market research firm Dean Runyon Associates, total spending on hotel and other taxable accommodations in California amounted to roughly $13.9 billion in 2012. A new statewide hotel at the rate of 5% would thus generate approximately $698.6 million annually, depending on the strength of the tourism economy (Dean Runyon Associates, May 2013," Forward Observer calculations).

Arguments in Favor

In November 2012, residents of Menlo Park, California approved Measure K, increasing the city's hotel tax from 10% to 12% to provide funding for city services such as police, street and sidewalk maintenance, and parks. Supporters of the measure, including the Mayor and Planning Commission Chair, said the tax could replace nearly half of the city's annual budget deficit of $1.2 million and would be a minor expense to hotel visitors, most of whom will not be residents. According to the official ballot argument, "studies show travelers do not consider hotel taxes when choosing hotels or destinations."

Arguments Against

Arguments opposing Measure K were submitted by the president of the Silicon Valley Taxpayers Association and the chair of Libertarian Party of San Mateo County, a new tax will translate into not only fewer hotel customers, but also affect all area businesses catering to travelers. "Increasing hotel taxes discourages travel and penalizes businesses that cater to travelers, i.e. restaurants, bars, tourist attractions, etc."

The official ballot argument also noted the city's 10% lodging tax gives it a competitive advantage over neighboring cities. "To keep occupancy as high as possible, hotel owners have to keep their prices competitive. Otherwise, visitors will decide not to travel, go to other hotels in neighboring cities, or stay with friend [sic] and relatives."

APPENDIX A

Estimated Regional and Statewide Property Tax Revenues, Selected Counties			
County	Total BOE Assessed Property Value ($ in thousands)	$5 per $100,000	$10 per $100,000
Alameda	$201,414,988	$10,070,749	20,141,499
Alpine	695,396	34,770	69,540
Amador	4,420,214	221,011	442,021
Butte	18,527,488	926,374	1,852,749
Calaveras	5,625,500	281,275	562,550
Colusa	3,524,830	176,242	352,483
Contra Costa	145,364,931	7,268,247	14,536,493
Del Norte	1,789,112	89,456	178,911
El Dorado	25,508,669	1,275,433	2,550,867
Fresno	61,467,995	3,073,400	6,146,800
Glenn	2,619,864	130,993	261,986
Humboldt	11,627,866	581,393	1,162,787
Imperial	10,517,865	525,893	1,051,787
Inyo	4,039,916	201,996	403,992
Kern	90,917,025	4,545,851	9,091,703
Kings	9,321,459	466,073	932,146
Lake	6,835,530	341,777	683,553
Lassen	2,170,979	108,549	217,098
Los Angeles	1,101,867,677	55,093,384	110,186,768
Madera	11,240,043	562,002	1,124,004
Marin	57,176,199	2,858,810	5,717,620
Mariposa	2,083,284	104,164	208,328
Mendocino	10,153,299	507,665	1,015,330
Merced	16,691,172	834,559	1,669,117
Modoc	1,041,188	52,059	104,119
Mono	5,410,992	270,550	541,099
Monterey	49,801,775	2,490,089	4,980,178
Napa	28,249,075	1,412,454	2,824,908
Nevada	15,256,994	762,850	1,525,699

Orange	432,520,652	21,626,033	43,252,065
Placer	52,885,663	2,644,283	5,288,566
Plumas	3,683,218	184,161	368,322
Riverside	204,367,151	10,218,358	20,436,715
Sacramento	117,623,964	5,881,198	11,762,396
San Benito	5,661,189	283,059	566,119
San Bernardino	168,777,497	8,438,875	16,877,750
San Diego	394,278,188	19,713,909	39,427,819
San Francisco	165,692,466	8,284,623	16,569,247
San Joaquin	53,403,079	2,670,154	5,340,308
San Luis Obispo	42,128,456	2,106,423	4,212,846
San Mateo	149,938,281	7,496,914	14,993,828
Santa Barbara	63,658,314	3,182,916	6,365,831
Santa Clara	312,472,255	15,623,613	31,247,226
Santa Cruz	33,122,840	1,656,142	3,312,284
Shasta	14,770,618	738,531	1,477,062
Sierra	547,050	27,353	54,705
Siskiyou	4,356,563	217,828	435,656
Solano	40,178,330	2,008,917	4,017,833
Sonoma	66,033,582	3,301,679	6,603,358
Stanislaus	33,924,599	1,696,230	3,392,460
Sutter	7,923,991	396,200	792,399
Tehama	4,561,035	228,052	456,104
Trinity	1,300,529	65,026	130,053
Tulare	27,816,436	1,390,822	2,781,644
Tuolumne	6,091,230	304,562	609,123
Ventura	106,026,799	5,301,340	10,602,680
Yolo	20,342,957	1,017,148	2,034,296
Yuba	4,655,899	232,795	465,590
Alameda	201,414,988	10,070,749	20,141,499
Alpine	695,396	34,770	69,540
California	**$4,444.1M**	**$222.2M**	**$444.4M**

Source: "Property Taxes: Net State- and County-Assessed Value of Property Subject to General Property Taxes…, 2012-13," California Bureau of Equalization, Accessed January 30, 2013; Forward Observer calculations