

Proposition 21: State Parks and Wildlife Conservation Trust Fund Act

SDCTA **opposes** this measure as it is essentially a tax increase that will be levied on owners of motor vehicles. The State has not provided a justifiable reason for having a tax increase at this time—offering little reason to consider supporting such a significant tax hike.

- California has 278 state parks—most (246) of which are operated and maintained by the California Department of Parks & Recreation.
- California’s state parks are funded through the state General Fund, grant funding, user fee revenue, and state gasoline taxes. The State Parks and Recreation Fund provided 26.34% of the California State Parks revenue in fiscal year (FY) 2009.
- Proposition 21, The State Parks and Wildlife Conservation Trust Fund Act, is a statutory initiative that establishes an \$18 vehicle license fee surcharge to fund state parks and wildlife conservation.
- Vehicles paying this \$18 surcharge would receive an annual pass for admission into State parks.
- Monies would be restricted to certain spending categories and would not be able to be loaned to the General Fund. Funds would be allocated according to the following:
 - Up to 1% for auditing, oversight and administrative costs
 - 85% for the Department of Parks and Recreation (DP&R) for costs for grants, grant management, operation, management, planning and development of the State Park System.
 - 4% of which is to be allocated to public agencies for grant purposes.
 - 5% of which is to be allocated to public agencies for operation and maintenance.
 - 7% for the Department of Fish and Game (DF&G) for the management and operation of wildlife refuges, ecological reserves and other lands owned or managed by the agency for wildlife conservation.
 - 4% for the Ocean Protection Council for marine wildlife conservation and the protection of coastal waters, with first priority given to the development, operation, management, and monitoring of marine protected areas.
 - 2% for state conservancies that manage, operate, and provide wildlife conservation on state lands managed for park and wildlife habitat purposes.
 - 2% for the Wildlife Conservation Board for grants to local public agencies for wildlife conservation.
- Prop 21 would raise up to \$500 million annually for the Trust Fund, and would also allow the State to stop providing General Fund Support (usually in the neighborhood of \$150 million - \$200 million) for State Parks.

Prop 21: State Parks and Wildlife Conservation Trust Fund Act

October 2010

Board Recommendation:

OPPOSE

Rationale:

This measure is essentially a tax increase that will be levied on owners of motor vehicles. The State has not provided a justifiable reason for having a tax increase at this time—offering little reason to consider supporting such a significant tax hike. Furthermore, SDCTA has consistently opposed state tax measures until reform has been in place. This measure will likely offer the State the opportunity to replace funding from the General Fund for state parks while not providing reform as to where that money will go. Consistent with our past positions on tax measures that have not followed planned reform, SDCTA opposes this measure.

State funding for parks has been volatile over the past five years. For FY 2011, the Governor initially proposed to stop all General Fund support to the State Park System; the Governor's May Revise showed General Fund support of \$140.1 million; the final enacted budget revised this figure to \$133.1 million. While \$18 is a significant surcharge on motor vehicle license fees, money that would have otherwise went to State Parks and wildlife conservation can be used for other purposes—thus likely relieving the State's General Fund burden and releasing state parks from their position as a state bargaining chip. This could result in more positive fiscal effects in the coming years, while simultaneously ensuring that state parks and conservation are provided for.

SDCTA supported Proposition 84 in 2006, which provided \$5.4 billion in funds for water, flood control, natural resources, parks and conservation projects. Proposition 84 funds have still not been fully distributed. These funds would have provided \$500 million for parks and nature education facilities in addition to \$450 million for forest and wildlife conservation.

Background:

State Parks & Wildlife Conservation

California has 278 state parks—most (246) of which are operated and maintained by the California Department of Parks & Recreation.ⁱ These parks comprise approximately 1.5 million acres of land, or nearly 1.5% of the total area of California.ⁱⁱ

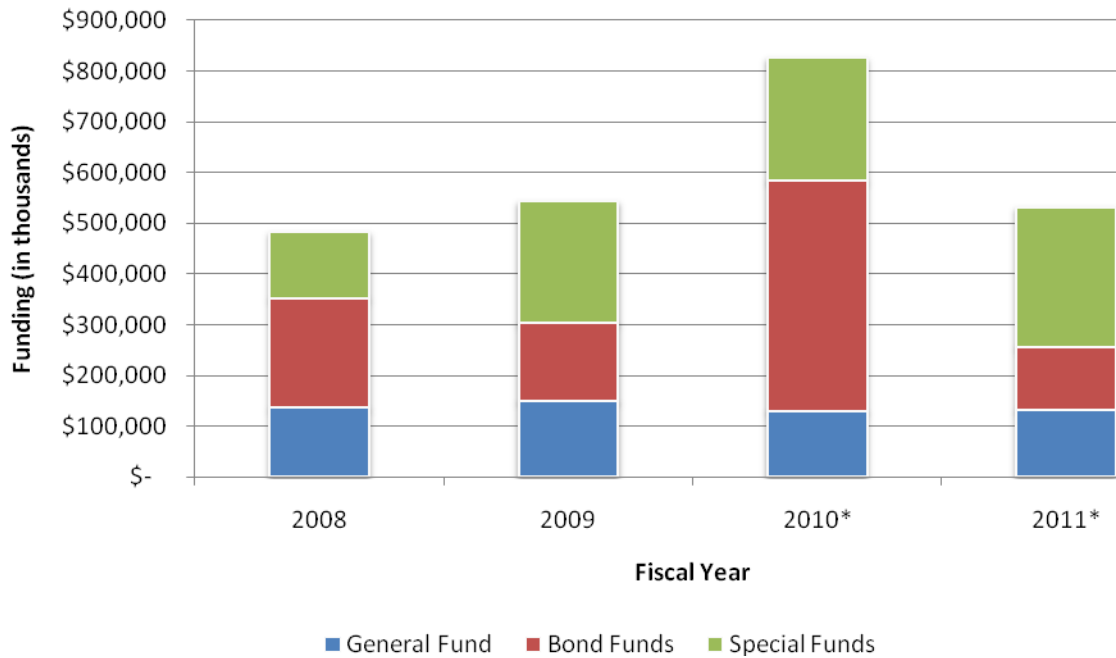
California's state parks are funded through the state General Fund, grant funding, user fee revenue, and state gasoline taxes. The State Parks and Recreation Fund provided 26.34% of the California State Parks revenue in fiscal year (FY) 2009.

From FY 2006 to FY 2010, state General Fund money dedicated to State Parks has varied. In FY 2006, General Fund revenue comprised 21.74% of the Department of Parks and Recreation budget; in FY 2007, this figure grew to 42.26%; dropped to 38.38% in FY 2008; dropped again to 36.78% in FY 2009; and fell dramatically to 14.07% in FY 2010. In the Governor's FY 2011 proposed budget, no General Fund money would have been directed to the Department of Parks and Recreation.ⁱⁱⁱ In the final enacted budget, there was a decision to allocated \$133.1 million in General Fund support. **See Figure 1.**

Figure 1: California State Parks Budgeted Funding from FY 2008 – FY 2011

California State Parks & Recreation Budget, by Source of Funding

Source: FY 2008 - FY 2011 Enacted Budgets
 (in 2010 dollars, adjusted for inflation)



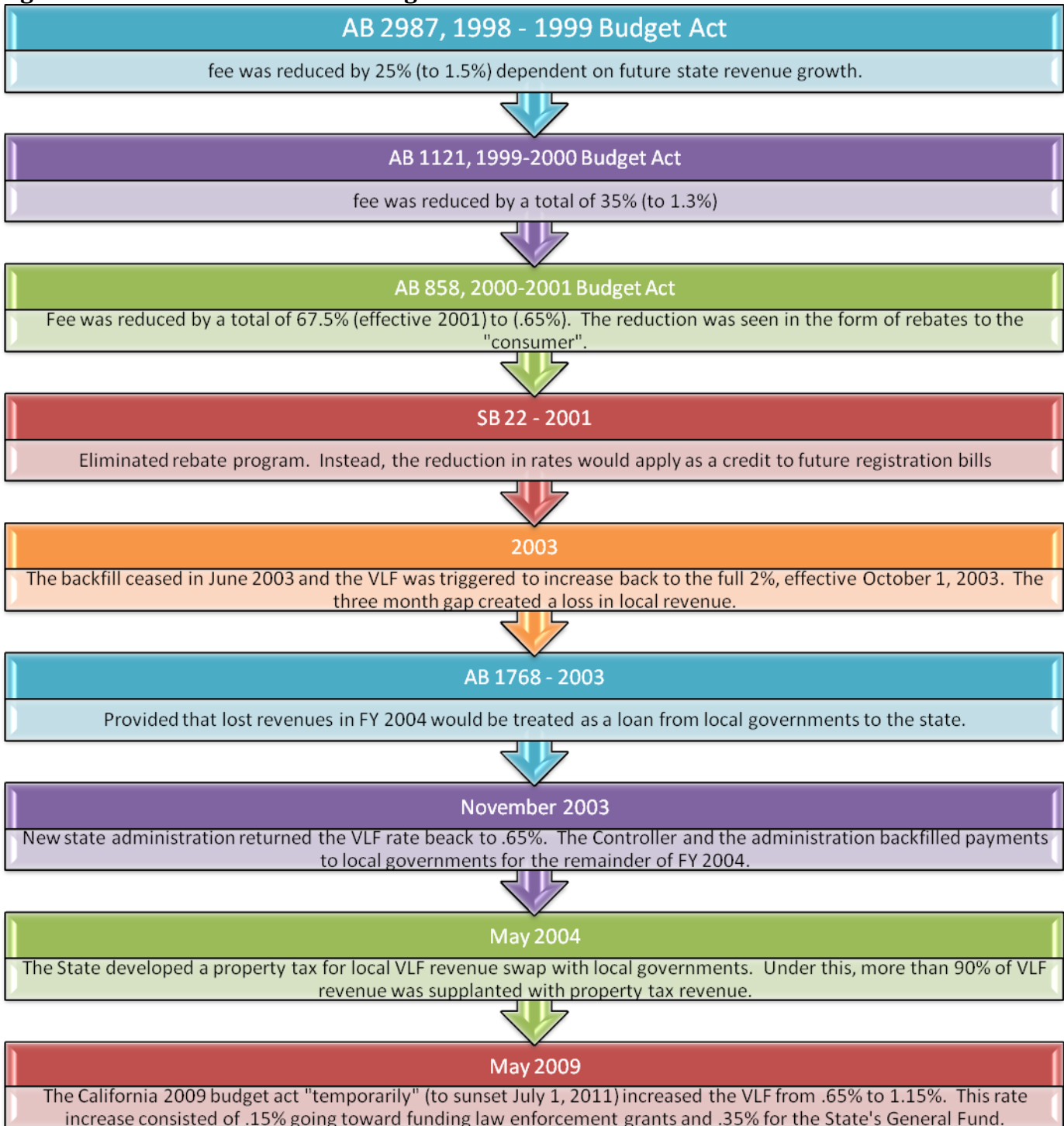
San Diego has the following state parks: Anza-Borrego Desert State Park, Border Field State Park, Cuyamaca Rancho State Park, Old Town San Diego State Historic Park, Palomar Mountain State Park, and San Pasqual Battlefield State Historic Park. California has several other state beaches and state natural reserves.

The State of California also has several other state departments (such as the Department of Fish and Game) as well as conservancies (such as the Coachella Valley Mountains Conservancy) that provide for maintenance of lands for wildlife conservation. According to the Legislative Analyst’s Office (LAO), funding for wildlife conservation comes primarily through General Fund monies, user fees, and bond funds.^{iv}

Motor Vehicle License Fee (VLF)

Before 1935, motor vehicles in California were subject to local government property taxes. The State Legislature replaced this local property tax with a State-administered fee. For half a century, the motor vehicle license fee (VLF) was 2% of the car’s value (given a specific rate of depreciation).^v In 1999, this rate began to decline, which followed a static .65% VLF rate (as a percent of the car’s value). For the exception of a few months in 2003, this rate remained .65% until May 2009. See Figure 2.

Figure 2: Timeline of VLF Rate Changes^{vi}



State agencies that provide services in regard to the VLF (administration, collection, etc.), counties, and cities receive a specific proportion of the total revenue generated. As a result of the decline in the VLF rate, local governments would have received significantly less revenue; to offset this, the State “backfilled” the difference in what was supposed to be achieved (2%) with what was actually being received (.65%). This became an obligation of the State’s General Fund initially. In 2004, the state altered this backfill payment methodology and supplanted General Fund monies for property tax revenue to keep local governments “whole.” Under this, cities receive a

smaller portion of actual VLF revenue. Nearly 75% of the .65% rate assessed on vehicles goes to Health and Welfare programs for counties. The remaining funds are distributed to state agencies—mostly the California Department of Motor Vehicles—and cities. From there, the backfilled VLF revenue is distributed among cities, counties and other special allocations.

Proposal

Title: *“State Parks and Wildlife Conservation Trust Fund Act”*
Election: November 2010
Description: Establishes an \$18 annual vehicle license fee surcharge to fund state parks and wildlife programs.
Jurisdiction: State
Type: Statutory amendment
Fiscal Impact: Increases state revenues of about \$500 million annually; potential state savings of up to \$200 million annually; reduction of about \$50 million annually in state and local revenues from user fees.

The State Parks and Wildlife Conservation Trust Fund Act is a statutory initiative that would establish an additional \$18 charge on vehicle license fees within the state of California to help in funding state parks and wildlife programs. Vehicles that pay this surcharge would receive free admission to all state parks. The State Parks and Wildlife Conservation Trust Fund Act would add Chapter 1.21 to the State Public Resources Code and would add 10751.5 to the

Revenue and Taxation Code.

Article 1: Trust Fund Creation

This would create a trust fund for State Parks and Wildlife Conservation. Monies within the fund could only be spent for the following:

- “Operation, maintenance, and repair of facilities, including visitor centers, restrooms, campsites; and ranger stations, in the State Park System.”
- “Wildlife conservation and protection of natural resources, including forests, other natural lands, and lands that provide clean water, clean air and protect the health of people and nature.”
- “Expanding public access to the State Park System and natural areas through outreach, public education, improved transportation access and providing for the safety and security of park visitors.”
- “Development, management and expansion of state park units and facilities as needed to provide and enhance public access and recreational opportunities.”
- “Protecting rivers, lakes, streams, coastal waters and marine resources.”
- “Grants to local agencies that operate units of the State Park System to offset the loss of day use revenues as provided in this chapter, and to state and local agencies that manage river parkways.”
- “Protecting and restoring state park cultural and historical resources”
- **“Auditing and oversight of the implementation of this act to ensure that funds are only spent in accordance with the provisions of this act and are not diverted or misspent.”**
- **“Collection costs for the State Park Access Pass.”**
- “Other costs related to the operation and management of the State Park System.”

Article 2: Accountability and Oversight

The measure would adopt the following accountability and oversight mechanisms:

- Subjecting the Trust Fund to an annual audit by the State Auditor
- Establishment of a Citizens Oversight Committee that would “review the annual audit and issue a public report on [its] implementation.”
- Trust Fund monies cannot be used for any other purpose, including “loans” to the General Fund and payment of interest, principal, and other costs related to general obligation bonds.

- Further restricts funding uses of the State Parks and Recreation Fund (a large source of funding for State Parks); prevents fund money from being loaned to the General Fund or for general obligation bonds.
- Allows the Legislature to shift General Fund monies used to support parks if it is determined that funds provided from the trust fund and the State Parks and Recreation fund are “adequate to fully maintain and operate the State Park System.”

Article 3: Access to State Parks

The Act would grant free access to everyone who pays the vehicle license fee surcharge. This surcharge would create a “State Park Access Pass.” Free admission only includes free vehicle admission, parking and day use for parks within the State Park System. Rebates would be given to veterans who already qualify for park free exemptions. Fees and charges would still exist for camping, tours, swimming pool uses, boating facilities, museums, special events, supplemental fees, or special event parking fees.

Article 4: Allocation of Trust Fund Revenues

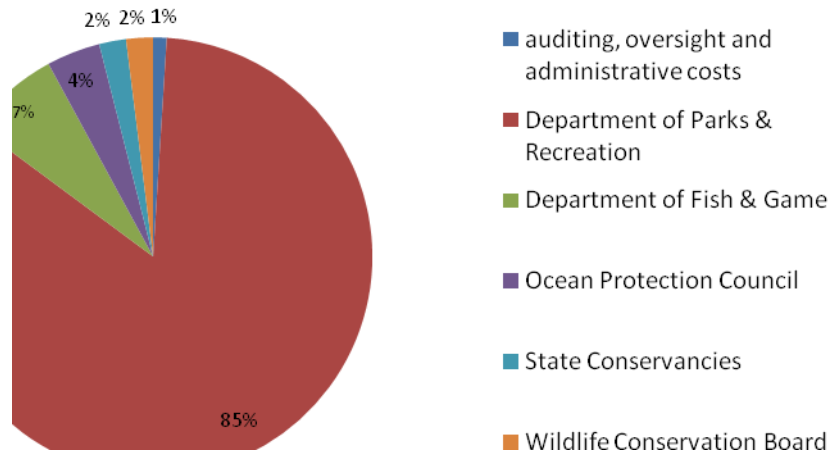
According to the measure, the allocation for funds within the State Parks and Wildlife Conservation Trust Fund would be as follows:

- Up to 1% for auditing, oversight and administrative costs
- 85% for the Department of Parks and Recreation (DP&R) for costs for grants, grant management, operation, management, planning and development of the State Park System.
 - 4% of which is to be allocated to public agencies for grant purposes.
 - 5% of which is to be allocated to public agencies for operation and maintenance.
- 7% for the Department of Fish and Game (DF&G) for the management and operation of wildlife refuges, ecological reserves and other lands owned or managed by the agency for wildlife conservation.
- 4% for the Ocean Protection Council for marine wildlife conservation and the protection of coastal waters, with first priority given to the development, operation, management, and monitoring of marine protected areas.
- 2% for state conservancies that manage, operate, and provide wildlife conservation on state lands managed for park and wildlife habitat purposes.
- 2% for the Wildlife Conservation Board for grants to local public agencies for wildlife conservation.

This article provides further direction on the use of funds, such as:

- Requiring the Department of Parks and Recreation to develop and administer a grant program for public agencies to “enhance the operation, management, and restoration of urban river parkways providing recreational benefits and access to open space and wildlife areas to underserved urban communities.” A total of 4% of the agency’s 85% of funding shall be used for this purpose.
- While consulting with the California River Parkway Program, the Department of Parks and Recreation is to establish best management practices for stewardship, operation and management of urban river parkways.
- Funding should be provided first to the local agencies that operate parks within the State Park System that charged entry or parking fees on vehicles. Remaining funds should be pro-rated to local agencies to assist in the operation and maintenance of state park units managed by local agencies. A total of 5% of the agency’s 85% shall be used for these purposes.

Allocation of Trust Fund



Section 2 – VLF

Measure would establish an \$18 annual surcharge (referred to as the State Parks Access Pass) on every vehicle subject to the license fee. This would apply to all licenses and renewals, effective January 1, 2011. This surcharge would not apply to the following vehicles:

- Vehicles subject to the Commercial Vehicle Registration Act (as described in Section 4000.6 of the Vehicle Code)
- Trailers (as described in Section 5014.1 of the Vehicle Code)
- Trailer Coaches (as described by Section 635 of the Vehicle Code)

Intent

The authors of the measure declare that:

- California’s resources and wildlife must be preserved for future generations.
- There is persistent underfunding of the State Park System, resulting in more than a billion dollar backlog in repairs and improvements. There is a serious threat to the closure of parks throughout the state.
- State parks benefit all Californians.
- Rebuilding the State Park System will contribute to growing California’s economy and will create tourism jobs.

Analysis

- The State Parks and Recreation Fund would have further limitations on expenditures. The Fund is described in detail in the California Public Resources Code, Section 5010. The Code specifically states that State Parks and Recreation funds can be used for “boating safety, enforcement, operation, and maintenance programs” of the State Parks and Recreation Department. The proposed restrictions would restrain funds for purposes of “operation, management, planning and development of the State Park System and shall not be subject to appropriation, reversion or transfer for any other purposes...”
- There is a \$125 annual State Park fee to receive unlimited day use admission into state parks throughout the year. Since a vehicle license fee has no direct relationship to state parks, those that pay this fee would be subsidizing those that use state parks the most often.

- This measure would place a higher burden on those that register their vehicles.
- This measure has the potential to create additional cost burdens on other state and local agencies that operate and manage state parks (currently 32).
- Measure would likely stop all General Fund monies from going to the State Park System.
- Without additional changes, the Act would place the major burden on funding state parks on state residents—who are not the only users. Another likely scenario is that to offset some of this burden, fees may increase on tourists and those that do not own a vehicle subject to this fee.
- While eliminating admission-based fees, charges for other uses (camping, tours, boating facilities, etc.) will likely increase.
- The allocation-based methodology noted in Article 2 and Article 4 allocates up to 101% of funding.
- While most of Proposition (Prop) 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) funds have been appropriated for state parks and wildlife conservation, a significant portion of bond funds remain available. For parks and nature education facilities, Prop 84 allocated \$500 million; \$93.2 million in funding remains. For forest and wildlife conservation, Prop 84 allocated \$450 million; \$6.9 million in funding remains.^{vii}
- The LAO estimates that this measure could generate up to \$500 million annually for the trust fund. If funding from the General Fund for these purposes stopped, the State could save approximately \$200 million annually. Day-use fee revenues would be reduced by about \$50 million annually (in state and local revenues).
- The LAO further believes that administration and oversight costs would be in the low millions of dollars annually—which would likely be offset by the 1% allocation allowed through this measure.

Proponents:

California State Parks Initiative (yesforstateparks.com)
California State Parks Foundation (calparks.org)
California Lodging Industry Association
California Parks Hospitality Association
California Travel Industry Association
The Greenlining Institute
California Fish and Game Commission
California Teachers' Association
Endangered Habitats League
The Nature Conservancy
San Diego Audubon Society
Sierra Club
Surfrider Foundation
California Coastkeeper Alliance
Congress of California Seniors
Supervisor Greg Cox
Senator Christine Kehoe

Opponents:

Howard Jarvis Taxpayers Association
Michelle Steel, Board of Equalization
Americans for Prosperity

End Notes

ⁱ Legislative Analyst's Office. LAO analysis on funding for state parks and wildlife conservation initiative. December 11, 2009.

ⁱⁱ California Department of Parks and Recreation. "California State Parks: Parks by the Numbers." Page 2. Available from http://www.parks.ca.gov/pages/23509/files/0809%20completequick%20facts_1_10.pdf. Accessed on May 26, 2010.

ⁱⁱⁱ The FY 2011 Proposed Budget states the following: "The \$14.2 million reduction to the Department of Parks and Recreation reflects an expenditure reduction to the state park system. This reduction will achieve \$22.2 million in savings when fully implemented. It will result in the closure of probably more than 100 parks which will be identified once the Department has been able to complete a full assessment of its remaining resources and be in a position to determine where it will need to shut facilities down.

^{iv} Legislative Analyst's Office. LAO analysis on funding for state parks and wildlife conservation initiative. December 11, 2009.

^v Coleman Advisory Services. "VLF Facts: A Primer on the Motor Vehicle In-Lieu Tax, the Car Tax Cut and Backfill." Available from www.californiacityfinance.com. May 2006.

^{vi} Source: Legislative Analyst Office. "The 2002-2003 Budget Bill: Perspectives and Issues." Available from http://www.lao.ca.gov/analysis_2002/2002_pandi/pi_part_5d_vlf_anl02.html. Accessed on 5/27/2010. Source: California Department of Motor Vehicles. "Frequently Asked Questions." Available from http://www.dmv.ca.gov/faq/faq_vlf.htm. Accessed on 5/27/2010. CaliforniaCityFinance.com. "Shared Revenue Estimates: California State Revenue Allocations to Cities. City Vehicle License Fee Revenues." Available from www.californiacityfinance.com. February 2010. Accessed on 5/27/2010. Coleman Advisory Services. "VLF Facts: A Primer on the Motor Vehicle In-Lieu Tax, the Car Tax Cut and Backfill." Available from www.californiacityfinance.com. May 2006. Accessed on 5/27/2010. Legislative Analyst Office. "2004-2005 Analysis: tax relief." Available from www.lao.ca.gov. Accessed on 5/27/2010.

^{vii} California Strategic Growth Plan Bond Accountability. "Proposition 84." Available from <http://bondaccountability.resources.ca.gov/p84.aspx>. Accessed on 5/28/2010.