

**REPORT OF THE VIRGINIA DEPARTMENT OF
CONSERVATION AND RECREATION**

**VIRGINIA STATE PARKS
DEDICATED FUNDING SOURCES AND
RECOMMENDATIONS**

**TO THE HOUSE COMMITTEE ON AGRICULTURE, CHESAPEAKE
AND NATURAL RESOURCES, THE HOUSE COMMITTEE ON
APPROPRIATIONS, THE SENATE COMMITTEE ON AGRICULTURE,
CONSERVATION AND NATURAL RESOURCES, AND THE SENATE
COMMITTEE ON FINANCE AND APPROPRIATIONS**



**COMMONWEALTH OF VIRGINIA
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Virginia Department of Conservation and Recreation



Virginia State Parks
Dedicated Funding
HB1804

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Executive Summary

The Virginia Department of Conservation and Recreation, Division of State Parks, completed this study to meet the directive of HB 1804, which unanimously passed during the 2021 General Assembly session. The Virginia State Park (VSP) system is responsible for stewardship and management of significant natural and cultural resources. With a land base of over 75,000 acres, VSP oversees 500 miles of shoreline, almost 2,000 acres of pollinator habitat, 36 lakes and ponds, two National Natural Landmarks and four “International Dark Sky Parks.” Additionally, the VSP system includes three museums, two National Historic Landmarks and 34 sites on the National Register of Historic Places.

There were 7,805,520 estimated visits to Virginia State Parks in 2020. Visitation to Virginia State Parks peaks between June and August each year. Though the summer months see the highest visitation numbers, visitation to parks is strong all year with even the slowest months seeing hundreds of thousands of visits.

A Virginia Tech study found that Virginia State Parks generated \$343 million in economic impact in 2019. The study found that the economic activity of Virginia State Parks “supported 4,180 jobs statewide with \$167 million in wage and salary income and \$260.7 million in value-added effects.”

Today’s Virginia State Park system includes significant infrastructure. Assets currently inventoried include over 2,800 improvements with a replacement value of \$1,246,773,008. Additionally, Virginia State Parks has over 682 miles of built trails. Maintenance of these facilities is a continuously under met need and VSP estimates the deferred maintenance backlog at \$276 million.

When determining funding needs consideration was given to infrastructure, equipment, staffing, and routine operations. Full funding was viewed as the funding necessary to uphold the obligations of § 10.1-200 et seq. of the Code of Virginia, meet the mission of Virginia State Parks, and provide the guest safe and enjoyable experiences.

The total identified funding needs for Virginia State Parks is \$158,753,697. With a current general fund appropriation of \$21,617,218 and a 5-year average state park revenue stream of \$25,700,000, a gap of \$111,436,479 to full funding is recognized.

Recruiting sufficient staff is also an ongoing issue. Staffing of Virginia State Parks consists of approximately 20% full-time equivalent (FTE) employees (297 positions), and 80% hourly employees (1150 positions), on average. An over dependence upon hourly employees coupled with difficulties in recruiting those employees has resulted in high staff turnover and state parks with critical staffing shortages.

With a staffing profile comprised of 80% hourly employees, a critical need for VSP is the conversion of a significant portion of hourly positions to classified employee positions. Classified employees are covered by the Virginia Personnel Act and include the majority of salaried individuals employed by the

Commonwealth's Executive Branch. With this in mind, this report has identified a classified employee shortage of 304 positions.

To meet the full funding needs of Virginia State Parks operations, new sources of revenue will need to be found. High potential funding sources identified in this document include a designated sales tax, a waste disposal-tipping fee, a "Park Fee" to be collected with vehicle registrations, or a substantial increase in general fund appropriations.

Introduction

The Virginia Department of Conservation and Recreation, Division of State Parks, completed this study to meet the directive of HB 1804, which unanimously passed during the 2021 General Assembly session and is summarized as:

State Parks; Department of Conservation and Recreation; recommendations for funding. *Directs the Department of Conservation and Recreation to develop recommendations for dedicated sources of funding for state parks that will be relatively stable from year to year. The Department shall submit its recommendations to the Chairmen of the House Committee on Agriculture, Chesapeake and Natural Resources, the House Committee on Appropriations, the Senate Committee on Agriculture, Conservation and Natural Resources, and the Senate Committee on Finance and Appropriations by November 1, 2021.*

Overview of Virginia State Park System

On June 15, 1936, Virginia became the first state to open an entire park system of six parks on the same day. The new parks offered modern outdoor recreational facilities while protecting areas with significant natural resources¹. Since the development of those first six parks, the Virginia State Parks system has grown to include 41 state parks with an additional three properties set aside for future development.

Virginia State Park management is directed by the Virginia Constitution, Code of Virginia, § 10.1-200 et seq. and the Mission Statement of the Department of Conservation and Recreation. These state in part:

Virginia Constitution, Article XI:

Section 1, Natural Resources and historical sites of the Commonwealth: it shall be the policy of the Commonwealth to conserve, develop, and utilize its natural resources, its public lands, and its historical sites and buildings. Further, it shall be the Commonwealth's policy to protect its atmosphere, lands, and waters from pollution, impairment, or destruction, for the benefit, enjoyment, and general welfare of the people of the Commonwealth.

Section 2, Conservation and development of natural resources and historical sites: In the furtherance of such policy, the General Assembly may undertake the conservation, development, or utilization of

¹ See Ewing, S. B. (2011). *Images of America: Virginia State Parks*. Acadia Publishing.

lands or natural resources of the Commonwealth, the acquisition and protection of historical sites and buildings, and the protection of its atmosphere, lands, and waters from pollution, impairment, or destruction, by agencies of the Commonwealth

Code of Virginia, § 10.1-200 et seq.: Gives the Department of Conservation and Recreation authority to “facilitate and encourage the public use of parks and recreational areas, ... including, but not limited to: parks, forests, camping grounds, fishing and hunting grounds, scenic areas, waters and highways, boat landings, beaches and other areas of public access to navigable waters.”

DCR Mission Statement: “To provide opportunities that encourage and enable people to enjoy, protect and restore Virginia’s natural and cultural treasures.”

Resources

The Virginia State Park system is responsible for stewardship and management of significant natural and cultural resources. With a land base of over 75,000 acres, VSP oversees 500 miles of shoreline, almost 2,000 acres of pollinator habitat, 36 lakes and ponds, two National Natural Landmarks and four “International Dark Sky Parks.” Additionally, the VSP system includes three museums, two National Historic Landmarks and 34 sites on the National Register of Historic Places².

Infrastructure

From the beginning, the Virginia State Park system has included significant infrastructure. The first six state parks were constructed by the Civilian Conservation Corps and included cabins, meeting facilities, campgrounds, trails, roads, dams, and water systems.

Today’s Virginia State Park system includes structures such as visitor centers, cabins and lodges, staff residences, restrooms, bathhouses, swimming pools, picnic shelters, docks, boat ramps and contact stations. The assets include miles of water, sewer and electric lines, acres of septic systems and the associated buildings to make them function. Also inventoried are miles of paved roads, gravel roads and various types of hiking trails and boardwalks. Assets currently inventoried include over 2,800 improvements with a replacement value of \$1,246,773,0083. Additionally, Virginia State Parks has over 682 miles of built trails. (See Appendix A for additional statistics on VSP assets.)

Visitation

There were 7,805,520 estimated visits to Virginia State Parks in 2020. This represented a 13% increase in visitation over 2019⁴. Through July of 2021, visitation was up 5% over 2020 and 15% over 2019 (Figure 1).

² See Virginia State Parks by the Numbers in Appendix A

³ Information on parks inventory and replacement value is recorded in the Commonwealth of Virginia Asset Tracking Software COVA Trax

⁴ Longitudinal visitation data is not available prior to 2019 due to Virginia State Parks implementing a new visitor estimation model in that year.

The primary driver of visitation to Virginia State Parks are day-use visits with over 6.5 million visits estimated in 2020. While both day-use visitation and camping visitation have increased year over year since 2019, visitation to Virginia State Parks cabins has decreased somewhat due to a need to implement rest days between reservations in response to the COVID 19 pandemic.

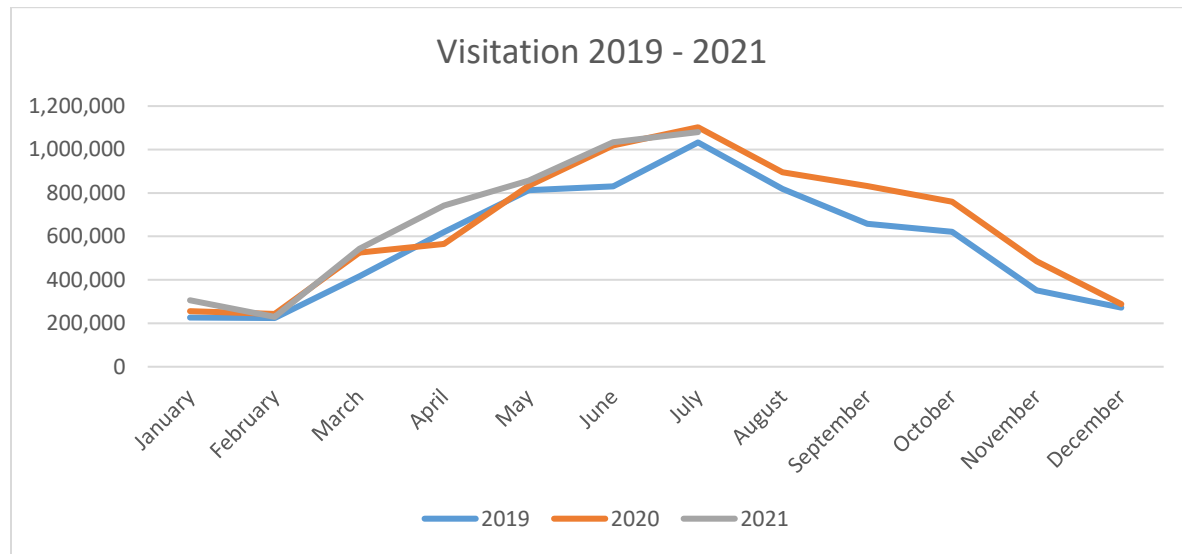


Figure 1 Virginia State Parks Visitation

Visitation to Virginia State Parks peaks between June and August each year. Though the summer months see the highest visitation numbers, visitation during the spring and fall seasons is also strong. While visitation is reduced in the winter months (primarily due to reduced camping), Virginia State Parks continue to host hundreds of thousands of visitors during the months of December through February.

A Virginia Tech study found that Virginia State Parks generated \$343 million in economic impact in 2019. The study found that the economic activity of Virginia State Parks “supported 4,180 jobs statewide with \$167 million in wage and salary income and \$260.7 million in value-added effects.”⁵

Staffing

Staffing of Virginia State Parks consists of approximately 20% full-time equivalent (FTE) employees (297 positions and 80% hourly employees 1150 positions), on average. In 2020, the staffing levels of state parks were reduced due to the closure of state park overnight facilities in the early days of the COVID 19 pandemic that resulted in a significant projected budget shortfall. Additionally, once overnight facilities were reopened, Virginia State Parks had difficulty recruiting applicants to hourly positions during the summers of 2020 and 2021.

⁵ Magnini, V.P. (2020). *Virginia State Parks Economic Impact Report 2019*. Virginia Technological Institute

Budget

The annual operating expenditures of Virginia State Park system has ranged from \$42.1 million to \$44.7 million per year since 2017. On average, 45.8% of the annual operating expenses of Virginia State Park system is supported by general fund revenue. The remaining 54.2% of annual expenditures are covered primarily through park revenues (Table 1).

Table 1: Virginia State Parks Expenditures by Year

Virginia State Parks Annual Expenditures					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General Fund Budget	\$18,553,762	\$18,988,671	\$19,150,960	\$19,493,680	\$22,373,632
Total Operating Expenditures	\$42,759,823	\$44,675,715	\$43,984,679	\$42,068,843	\$43,374,098

Revenues

Annual Virginia State Parks’ revenues have averaged \$25.7 million over the past 5 years. This average is influenced by low revenues in FY20 caused by the temporary closure of overnight facilities combined with the implementation of a one-night rest period closure placed on cabins and lodges in adherence to Centers for Disease Control and Prevention (CDC) guidelines related to the COVID 19 pandemic. While FY 2020 revenues were lower than average, FY21 revenues were significantly above average. This was primarily driven by increases in cabin, camping, and parking fees as well as merchandise sales (Table 2). It remains unknown if the increase in revenues during FY21 will continue once the effects of the COVID 19 pandemic subside.

State Park fees are evaluated and adjusted annually based upon system operational needs. Additionally, in 2018, VSP conducted a study comparing fees for overnight facilities with similar facilities in other state park systems. Based upon this analysis, fees for overnight facilities were adjusted to better reflect those present in the market.

While revenues in state parks have shown growth over the past five years, an increasing reliance upon user fees to fund state park operations creates a necessity to focus system efforts on those facilities and programs that generate the most revenue. While it is certainly appropriate to charge market rates for premium services (such as staying in a state park lodge), continued need to generate revenue for operations could require fees for parking and admission that place those opportunities out of reach of economically disadvantaged communities.

In addition, relying on state park revenues too heavily can lessen the focus of an essential part of the directive in the Constitution of Virginia to provide for the stewardship of the natural and cultural resources of the Commonwealth.

VIRGINIA STATE PARKS DEDICATED FUNDING

Table 2: Virginia State Parks Annual Revenues by Source

Virginia State Parks Annual Revenues by Source					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Cabins	\$6,442,861	\$6,747,717	\$6,373,517	\$4,137,222	\$7,908,430
Camping	\$5,326,800	\$5,801,775	\$5,264,895	\$5,185,284	\$8,289,955
Parking	\$3,583,052	\$3,582,097	\$3,896,855	\$5,979,481	\$7,412,955
Merchandise	\$2,457,483	\$2,876,003	\$2,969,889	\$2,723,620	\$4,125,586
Swimming	\$1,123,647	\$1,022,784	\$954,424	\$700,064	\$466,331
Admission	\$996,328	\$1,044,175	\$1,117,825	\$886,902	\$688,431
Reservation Fees	\$871,535	\$1,022,786	\$1,069,360	\$848,837	\$1,979,685
Food & Bev	\$856,456	\$895,385	\$768,085	\$472,292	\$161,280
Rentals	\$411,800	\$393,239	\$373,555	\$364,530	\$417,494
Other	\$1,553,258	\$1,432,516	\$1,890,202	\$1,400,902	\$1,419,594
Total Park Revenues	\$23,623,220	\$24,818,475	\$24,678,607	\$22,699,134	\$32,869,741

In addition to revenue from user-generated fees, Virginia State Parks also receives small amounts of revenue from grants, donations, and fees associated with the issuance of the Virginia State Parks license plates, offered through the Virginia Department of Motor Vehicles (DMV). The level of funding available from these funding sources is variable and often dedicated toward specific uses. Additionally, a portion of the proceeds from state surplus property sales is deposited into the State Park Acquisition and Development Fund.

State Parks Funding Needs

Full, stable, and dedicated funding was the primary focus of this study. When determining full funding consideration was given to infrastructure, equipment, staffing, and routine operations. In addition, full funding was viewed as the funding necessary to meet the mission of Virginia State Parks, uphold the obligations of § 10-1-200 et seq. of the Code of Virginia, and provide the guests safe and enjoyable experiences.

Infrastructure

A 1990 study submitted to the National Academies of Sciences by the National Research Council identifies the underfunding of maintenance and repair (M&R) of public buildings as a “widespread and persistent problem.” The study indicated that “an appropriate budget allocation for routine M&R will typically be in the range of two to four percent of the aggregate replacement value of those facilities.”⁶

Another consideration in determining the annual maintenance cost of the Virginia State Park system resources is that a substantial amount of Virginia State Parks assets existed well before COVA Trax and other fixed asset inventory systems were implemented. Some assets, such as fences, CCC constructed drainage ditches and culverts may not yet be cataloged into the inventory system.

In addition, the Virginia State Park system currently has an estimated deferred maintenance backlog of \$279 million as of August 2021.

For these reasons, VSP estimates ongoing M&R cost would be on the higher end of the recommended percentages. Based on the National Academy of Sciences recommendations, the annual investment for M&R for Virginia State Park assets ranges from \$24,935,460 to \$49,870,920 (Table 3).

The second and separate part of the valuation of annual M&R needs is for trails. The annual cost of maintaining trails has a wide range of estimates from various sources. As noted in a study by Toole Design for the Indiana Department of Transportation, these estimates range from \$1,000 up to \$10,000 per mile.⁷ In a summary of estimates, the American Trails Association lists this \$2,077 per mile as an appropriate estimate for M&R of “government operated trails.”⁸ With 682 miles of trails, this equates to \$1,416,514 annually (Table 3).

Using this framework, the combined M&R costs for physical assets, including trails, is estimated to be between \$26,351,974 to \$51,287,434.

Table 3: Range of Annual M&R Funding for Virginia State Park Assets

Range of Annual M&R Funding for Virginia State Parks			
	2% Annual Investment	3% Annual Investment	4% Annual Investment
Physical Assets (Replacement value \$1,246,733,008)	\$24,935,460	\$37,403,190	\$49,870,920
Trails (682 miles)	\$1,416,514	\$1,416,514	\$1,416,514
Total	\$26,351,974	\$38,819,704	\$51,287,434

⁶ National Research Council. (1990). *Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*. The National Academies Press. Washington D.C. Retrieved from <https://doi.org/10.17226/9807> on September 1, 2021.

⁷Tilbury, K. (2019). *Shared Use Path Opinion of Probable Cost*. Retrieved from https://www.in.gov/indot/files/INDOT_TrailsCostCalculator_Memo.pdf 08/01/2021.

⁸ American Trails (2007). *Construction and Maintenance Costs for Trails*. Retrieved from <https://www.americantrails.org/resources/construction-and-maintenance-costs-for-trails> 08/01/2021.

Equipment

The operations of the Virginia State Park system requires a sizable inventory of equipment including vehicles, tractors, mowers, ATV/UTVs, boats, concession equipment, various related power tools, and communication equipment.

Data from the Commonwealth of Virginia's Fixed Asset and Accounting Control System (FAACS) and DCR's internal Agency Tracking System (ATS) was used to establish a baseline of equipment needs for all current Virginia State Parks. That baseline was then used to estimate the needs of those properties that are land banked for future development as well as three additional future parks based on minimal development that would fully meet the goals of the Virginia Outdoors Plan.

Interviews with park staff indicated that parks do not currently operate with adequate equipment resources, specifically in the area of transportation and specialized equipment needs. Park staff expressed that their current equipment inventories only represented about 80% of the necessary equipment needed to operate to the utmost efficiency.

One-time Equipment Costs

The Virginia State Park system will require an initial investment of \$8.9 million for new equipment required to properly equip the new full-time staff members that are being recommended as part of the HB1804 report, properly equip three new state parks, and equip central district functions across state parks. These one-time costs would be required to purchase vehicles, radios for communication, law enforcement equipment, and any special equipment specific to their job functions and roles.

As part of an anticipated expansion of state parks into underserved areas of the Commonwealth, needs were calculated to properly outfit and equip a typical Tier I low-complexity park. On average, \$410,505 is required in order to purchase vehicles, tractors, mowers, etc. For the purposes of this study, it is anticipated the development of three parks for a total of \$1.23 million needed in one-time purchases.

Parks have traditionally operated specialty equipment at the district or regional level and managed that equipment as a pool resource for use by parks in that area. Specialty equipment typically include larger, more costly equipment such as brush chippers, stump grinders, or skid steer loaders. It would take \$175,000 to outfit each district, or a one-time purchase of \$1.0 million to outfit all of the six operational districts within state parks.

Annual Operational Equipment Replacement Needs

Data from FAACS & ATS was also used to estimate annual equipment replacement needs for parks in each of the five state park complexity tiers, district equipment, and support equipment needs purchased for any new personnel. Once the equipment needs of the system and outfitting were identified, an average lifespan analysis of typical park equipment such as mowers, tractors, power tools, etc. was conducted.

Financial estimates were ultimately based upon 23 different equipment types⁹. It was determined that park equipment had an average lifespan of 8.9 years, or 11% annual depreciation when compared to the Internal Revenue Service (IRS) accumulated depreciation model. Using this model, the funding needed for cyclical equipment replacement is estimated to be \$3.5 million annually.

It is also worthy to note that the Virginia State Park system currently operates 473 vehicles, ranging from dump trucks to housekeeping vans to law enforcement vehicles. Of these vehicles, 24.5% are 15 years of age or older and 52.6% are 5 years or older. As of September 2021, 249 vehicles are in current need of replacement according to the anticipated 5-year lifespan for transportation vehicles. This replacement cost is currently \$7.47 million at an average of \$30,000 per vehicle.

Staffing

The personnel figures used in this report were determined by reviewing current staffing levels in relation to the obligations set forth by the Code of Virginia, the mission, regulatory requirements, and the Commonwealth's commitment to fair and equitable compensation. As new regulations, requirements, and expectations are prioritized, the staffing needs will continue to increase. When considering staffing challenges, considerations surrounding equity, turnover, loss of institutional knowledge, and continual recruitment and training created by turnover are contributing factors as well.

A 1998 Joint Legislative Audit and Review Commission (JLARC) report¹⁰ identified insufficient staffing within State Parks as an area of concern. That report stated, "The 1993 DPB report on DCR indicated that DCR had staffing problems. For the park system alone, the report suggested the need for about 50 additional positions." The JLARC report goes on to say those staffing issues remained unresolved. At the time of the report, there were 28 state parks in operation; today there are 41. This fact alone exemplifies how the current staffing shortages are five times what existed 20 years ago.

Classified Staffing Component

Current staffing levels within Virginia State Parks consist of 297 full time employees at a cost of \$27,350,813. A recent compensation study completed by DCR's Human Resources department revealed that many of our existing employees are paid below what the market rate of their role/experience dictates. In addition to market rates, compensation will also need to be adjusted for complexity and geographic factors. The increases required to align staff equitably are listed below:

- Market \$ 761,405
- Park Complexity \$1,346,583
- Geographic Differential \$ 633,661

⁹ South Dakota, Dept. of Legislative Audit, Municipalities - Capital Asset Useful Life Table, <https://legislativeaudit.sd.gov/resources/municipalities/lifetable.aspx>

¹⁰ Joint Legislative Audit and Review Commission. (1998). Review of the Department of Conservation and Recreation. House Document No. 80. Retrieved from <http://jlarc.virginia.gov/pdfs/reports/Rpt218.pdf> on 10/01/2021

In addition to funding needed to bring existing staff into alignment with others in the industry, previous studies as well as prior and current re-benchmarking have identified the need for 304 additional full time employees to adequately operate our existing parks. The additional needed positions will cost \$29,587,019 bringing total staffing needs to 601 positions.

Among the new positions identified, many would simply bring our current staffing complement at existing parks to an actual full staff level that most parks have never experienced. There are several new positions and areas of focus that have been identified as essential in order to provide 21st century customer service to our valued guests including but not limited to:

- Conversion of Housekeepers and Housekeeping Managers positions to FTE positions to support growing cabin operations.
- 30 positions dedicated to physical, cultural, and natural resource management including new positions dedicated to cultural resource management as well as conversion of six current part-time hourly natural resource management positions to FTE positions.
- 34 positions dedicated to educational and interpretive services.
- 21 new maintenance foreman positions to maximize our ability to do projects and address the enormous backlog of deferred maintenance.
- 25 positions for district and regional support of the Public Safety Program.
- Five positions in the agency's Division of Planning and Recreation Resources to address ongoing capital development and maintenance reserve projects to address significant deferred maintenance needs.

Part Time Staffing Component

In Fiscal Year 2022, \$13,080,740 is included in the budget to cover hourly employee expenses. As of July 2021, VSP employed 894 part time staff. This number lags behind previous years due to the lingering effects of the COVID 19 pandemic as well as increased challenges in attracting and recruiting hourly staff. By comparison, VSP employed 1,122 hourly employees in 2018 and 1,068 in 2019.

Virginia State Parks utilizes part-time hourly staff at a rate much higher than other state agencies with approximately 80% of Virginia State Parks employees being hourly employees. In most cases, part time employees perform the same work as full-time employees yet they are not afforded health benefits, paid time off, life/long term care insurance, or retirement/savings. For this reason, retention of hourly employees is low as the most qualified often leave for full time employment where they receive benefits.

According to the Society for Resource Management, the average turnover cost per employee is \$1,500 for hourly workers. This estimate includes costs for recruiting, training, increased overtime for remaining staff to cover vacant shifts, and the cost of a manager's time. Not included in that estimate are hidden costs

such as lost productivity, an inconsistency in operations, loss of institutional knowledge, and a negative cultural impact.¹¹

Virginia State Parks struggles to compete with private sector employers as they make efforts to address these issues by offering higher wages, benefits, and in many cases full time employment.

Additionally, per § 40.1-28.10 of the Code of Virginia¹², VSP will be required to increase the minimum wage paid to employees from the current \$9.50 per hour that became effective May 1, 2021 to \$15.00 per hour in 2025. The financial impact of the increase in minimum wage including the direct cost to bring staff to the new minimum along with the indirect cost of adjusting current pay bands is estimated to be \$16,555,974. Salary compression and market alignment will also need to be considered after full implementation of minimum wage and at that time further adjustments may be required.

Under the current operating structure, the total cost for hourly staffing upon full implementation of the required changes to minimum wage will be \$30,636,714. It is anticipated, however, that the conversion of hourly staff to FTE staff proposed here will reduce the number of hourly staff needed to operate the system by approximately 30%. Thus, with full staffing of the Virginia State Park system, the total cost of hourly staff would be \$21,445,700.

Operations

In addition to the costs of maintenance and repair of park infrastructure, replacement of equipment at the end of its life cycle, as well as the cost of fully staffing the system, state parks have other operating expenses including fixed costs, administrative costs, and those associated with programming needs. It is expected that current operating budgets will be sufficient once the cost of M&R, equipment, and conversion of a significant number of hourly positions to FTE are accounted for through other means.

Full Funding Model

The operations of Virginia State Parks is currently funded through two sources: state general funding at \$21,617,218 and state parks generated revenues at a 5-year average of \$25,700,000. Current total funding for staffing, operations, maintenance, and equipment is \$47,317,218.

DCR completed a review of staffing, maintenance, operations, and equipment to determine that full funding for Virginia State Parks is approximately \$158,753,697. When considering current funding levels of \$47,317,218 a gap of \$111,436,479 to full funding is recognized.

¹¹ <https://www.shrm.org/hr-today/news/all-things-work/pages/to-have-and-to-hold.aspx>

¹² Chapter 3. Protection of Employees, § 40.1-28.10. Minimum wages

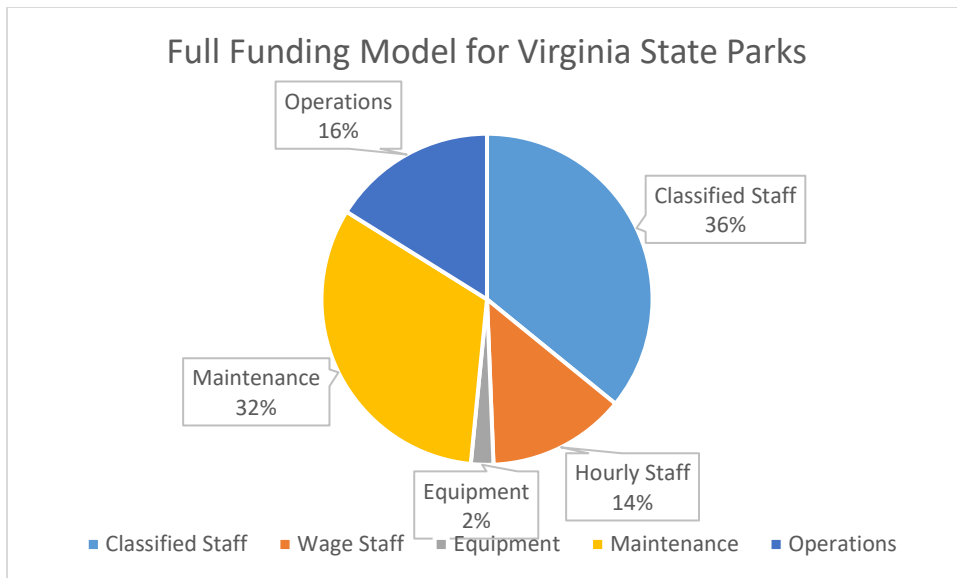


Figure 2: Full Funding Model for Virginia State Parks

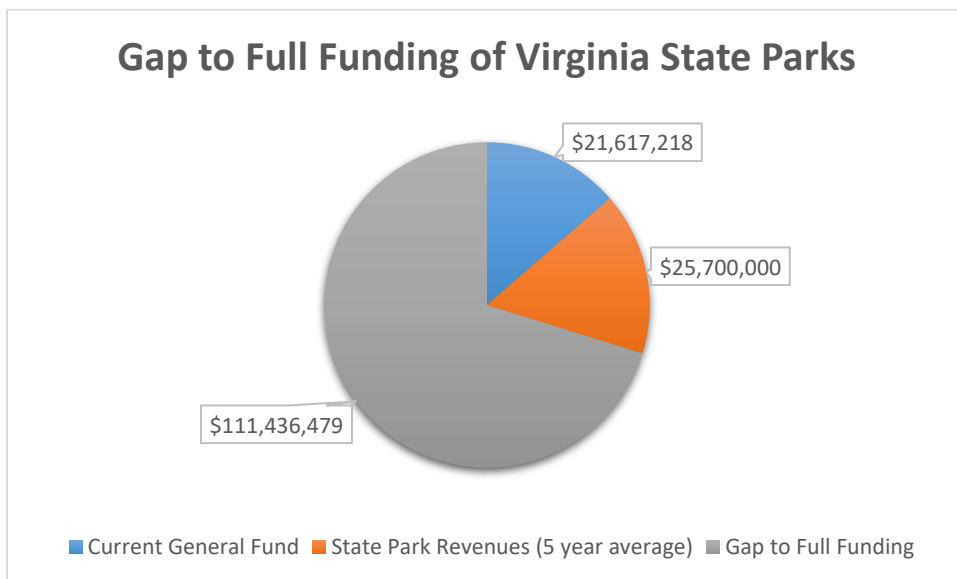


Figure 3: Gap to Full Funding of Virginia State Parks

This study considered full funding to ensure potential funding sources were truly sustainable sources. Each budget category is interconnected and relies heavily on full implementation to achieve the directive of HB1804. Any partial implementation would require an updated review to ensure accuracy.

Potential Funding Sources

According to a report prepared for the Virginia Association for Parks by the Institute for Service Research, as of 2018, 36 state park systems receive at least some of their funding from dedicated funding sources. The percentage of dedicated funding within state parks budgets ranged from 0.5 percent to 82.1 percent.¹³ Examples of special funds used for conservation or park purposes in other states include:

- Taxes on rental vehicles;
- Real estate transfer tax;
- Lottery proceeds;
- Vehicle registration fees (on and off road);
- Fees from extractive natural resource;
- Designated portion of sales tax; and
- State tipping fees.

While states have taken a variety of approaches in the use of dedicated funding sources to fund state park operations, the success of these efforts is less related to the percentage of funding derived from special funds and more from the sufficiency of the appropriation.

A state-by-state description of how these funding sources are used in other states can be found in *“The Identification of New and Stable Funding Sources for the Operation, Staffing, and Maintenance of Virginia State Parks: An Initial Study”* attached to this report in Appendix B.

State Park systems throughout the country use a variety of funding mechanisms including general fund appropriations, special funds, and user fees to fund operations of their state park systems. Individual states’ use of special funds for support of their state parks systems is varied from state to state and the presence of designated special funds does not necessarily correlate with a total funding package that is adequate to the needs of the system.

In order for a funding source to be sustainable, it must be sufficient to meet the Division of State Parks’ operational needs and it must be stable year over year.

Based upon these criteria, the following alternatives are proposed:

Alternative 1: Designated sales tax.

As identified in this report, a crisis currently exists within the Virginia State Park system for sustainable funding to meet current and future challenges while serving the Commonwealth’s diverse and dynamic population. As of 2021, state parks have a staggering \$279 million in deferred maintenance needs that only continues to rise. Without a strategic, sustainable funding approach, state parks will continue to

¹³ Magnini, V. and Wyatt, C. (2021). *The Identification of New and Stable Funding Sources for the Operations, Staffing, and Maintenance of Virginia State Parks: An Initial Study*. Institute for Service Research, Virginia Beach, VA.

decline and be unable to provide the necessary conservation, protection, education, and health benefits needed for all of Virginia's citizens.

A proactive approach to a sustainable funding mechanism would be a "Conservation Equity Tax". A modest tax increase could be added to the purchase of goods and services across the Commonwealth or a portion of the existing tax collection should be dedicated toward sustainable funding for Virginia State Parks. At the consumer level, an additional tax amount of 1/10 cent would create a minimal burden; yet it would create a significant funding opportunity for the future of state parks and our other conservation programs.

For example, a 1/10 cent tax increase on all sales of goods and services could be added, effectively raising Virginia's retail sales tax from 5.3% to 5.4% in most areas of the state. A 1/10 cent tax increase would add only .01 onto a \$10 purchase. In perspective, the Commonwealth generated \$107.7 billion in annual taxable sales in 2019¹⁴. From that, approximately \$5.7 billion was collected in state sales and use tax revenues (TTF). For the clarity of this report, figures from FY20 were utilized because it represented more of a typical year tax collection wise prior to the onset of the COVID 19 pandemic. If another 1/10 cent were collected from existing tax collections, it would generate approximately \$107.8 million in funding to use for state parks and our other conservation initiatives. In addition, if a dedicated tax-funding source were established, Virginia State Parks would be able to eliminate the parking fee collection from all vehicles registered in the Commonwealth of Virginia. This would serve as another iconic step toward addressing the inequities of access for socioeconomically challenged populations across the Commonwealth.

A dedicated funding source based upon taxes collected on goods and services is not a foreign concept. Several state park systems in the United States employ this model as a sustainable funding source to support park operations, often codifying as constitutional amendments to prevent future redirection of funds. Examples include: Missouri - ½ cent sales tax increase passed in 1976; Texas- sales tax on sporting goods passed in 2019; and Arkansas - ½ cent sales tax increase passed in 1996. These dedicated tax increases were supported and enacted by the voters of those states. Solicitation of information from the National Association of State Park Directors indicate that other states are reviewing these models and are actively working to determine if these dedicated funding sources are viable options for their systems. Sales tax funding sources are attractive as the preferred model of a sustainable fund source because inherently, it is a long-term funding source that is always tied to inflation. As the cost of goods and services rise for consumers, the cost of operations and maintenance will likewise increase for Virginia State Parks.

If a tax increase of 1/10 of a percent is not palatable to pursue politically, then an equivalent dedication of the existing tax revenue collections should be considered.

¹⁴Virginia Tax - Annual Report FY20, Table 4.2. Retrieved from [Annual Report for Fiscal Year 2020 \(virginia.gov\)](https://www.tax.virginia.gov/annual-report-for-fiscal-year-2020) 9/30/21.

Alternative 2: Virginia Association for Parks recommendation

In response to House Bill 1804, passed during the 2021 General Assembly session, the Virginia Association for Parks (VAFP) worked with the Institute for Service Research to commission an initial study on new and stable funding sources for Virginia State Parks¹⁵. The research team focused much of their effort in reviewing strategies utilized by other states and identifying potential funding sources.

The report considered seven strategies for sustainably funding state parks, ultimately focusing on the strategies of a “Park Pass” implemented through a license plate renewal fee and a waste tipping fee. Though initial estimates for revenue generation in the report were accurate, further refinement of the strategies has occurred, and the Virginia Association for Parks is currently advocating for the following two strategies.

- **Waste Disposal Tipping Fee:** VAFP recommends a three-dollar per ton tipping fee on all waste disposed of in Virginia landfills. This would result in an estimate \$74 million in revenue. Approximately 11% of this fee would be used to administer the program and another 20% would be used for locality based environment purposes. The remaining 80% (estimated at \$45 million per year) would be dedicated to state park operations.
- **Mandatory State Park Vehicle Pass as Part of Regular Motor Vehicle Registration:** VAFP recommends a five-dollar park access fee required when registering (or renewing a registration) of non-commercial vehicles with the Virginia Department of Motor Vehicles. After accounting for the cost of administering the program, approximately \$31 million dollars per year would be available for operations of Virginia State Parks.

Once enacted, all vehicles licensed in Virginia would be exempt from state park parking fees. After adjusting for the loss of parking revenues (based upon the five-year average revenues from parking fees), the total net benefit to state park operations would be approximately \$25 million per year.

The remainder of the fiscal need could be met through use of a combination of the remaining five sources identified in the report as listed below:

- Dedicated Portion of the General Sales and Use Tax (see alternative 1 above);
- Recreational Vehicle Sales Tax;
- Dedicated Portion of Sales Tax on Equipment and Supplies Relating to Park Visits;
- Dedicated Portion of the Corporate Income Tax; and
- An Add-On Fee to Real Estate Transfers or Recordings.

¹⁵ Magnini, V. and Wyatt, C. (2021). The Identification of New and Stable Funding Sources for the Operations, Staffing, and Maintenance of Virginia State Parks: An Initial Study. Institute for Service Research, Virginia Beach, VA.

Alternative 3: Increase general fund appropriations to fund full state park operations.

If dedicated funding sources cannot be found, substantially increased appropriations from the General Assembly will be needed to fund full operations of the Virginia State Parks system.

Conclusion

When determining the full cost of operations of Virginia State Parks, this report considers parks currently in operation as well as properties currently under ownership that are not yet developed. Additionally, this estimation includes a projection of three future parks that would meet the recommendations of the Virginia Outdoors Plan of having a state park within a one-hour drive of all citizens of the Commonwealth.

The total identified funding needs for Virginia State Parks is \$158,753,697. With a current general fund appropriation of \$21,617,218 and a 5-year average state park revenue stream of \$25,700,000 a gap of \$111,436,479 to full funding is recognized.

Classified staffing levels were also considered in determining full funding needs for Virginia State Parks. With a staffing profile comprised of 80% hourly employees, a critical need for VSP is the conversion of a significant portion of hourly positions to classified staff positions. With this in mind, this report has identified a classified staffing shortage of 304 positions.

To fully fund Virginia State Parks operations, new sources of revenue will need to be found. High potential funding sources identified in this document include a designated sales tax, a waste disposal tipping fee, a "Park Fee" to be collected with vehicle registrations, or a substantial increase in general fund appropriations.

Finally, it is an assumption of this study that implementation of a full funding model would likely take several years to complete. Any surplus funding during the years of transition to full implementation would be used to meet the one-time and start-up cost needs identified within the study and to address the Division's estimated \$276 million deferred maintenance backlog.



VIRGINIA STATE PARKS

By the Numbers





50
yurts

22 camping
cabins

1,236
buildings

7 horse
campgrounds



11 swimming
beaches



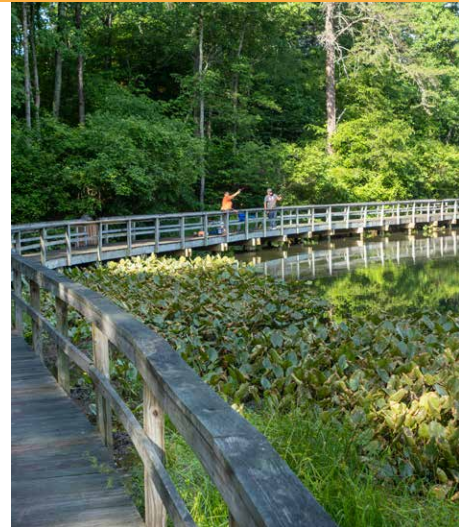
1,677
campsites



306
cabins



6 swimming
pools



662 miles of trails



99
picnic shelters



325
agency
owned
vehicles



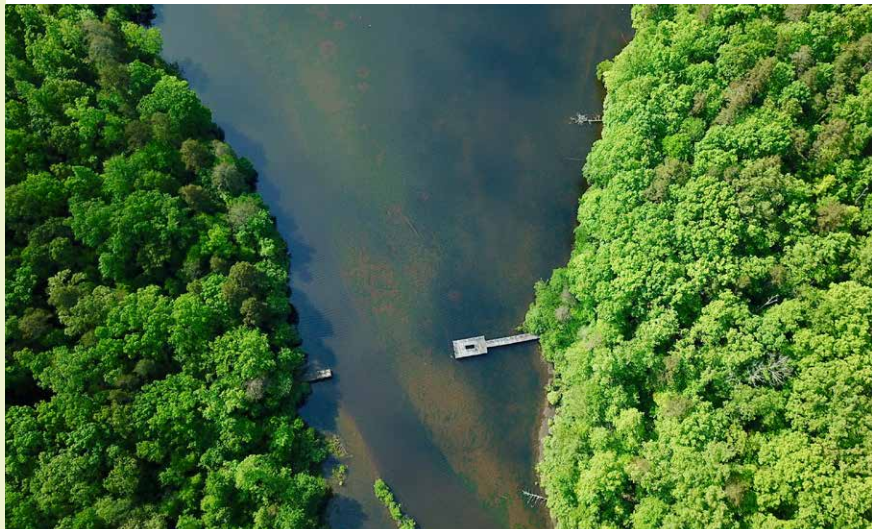
3
marinas



1
commercial
fishing pier



17 powerboat
launches



4 rails-to-trails
parks



2 sewage
treatment
plants



7,805,520 visitors in 2020

75,895
total acres

17 parks
with managed
deer hunts

36 lakes
and ponds

1,938 acres of
pollinator habitat



4 
Dark Sky
designations

500 miles
of shoreline

4,449 acres of
prescribed burns

30
amphitheaters

68
gift shops

1 
chairlift

3 
museums

3 
battlefield sites

2 National
Historic
Landmarks

2 National
Natural
Landmarks

34 National Register of
Historic Places sites

283 FTEs and
1,068 wage staff*

*Due to COVID this number was reduced by 300 in 2020

COVID-19 RESPONSE

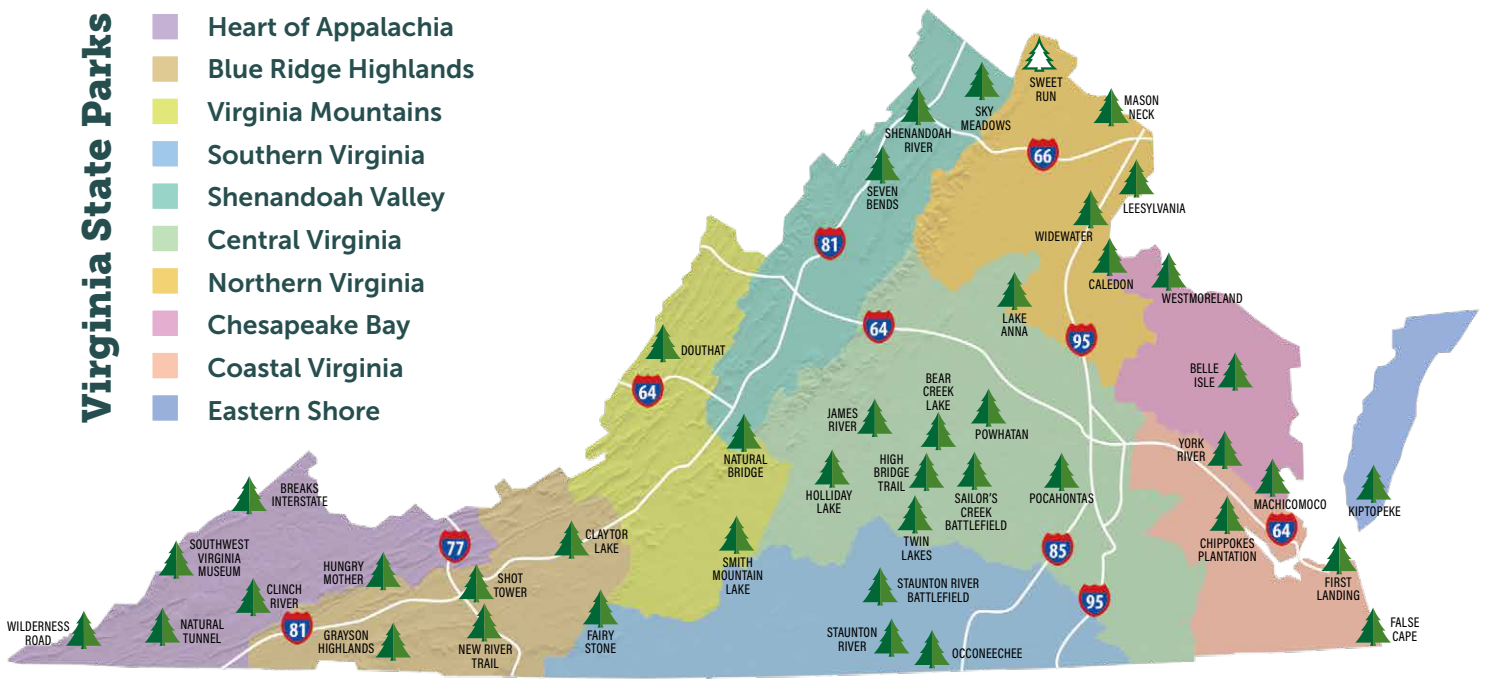
Virginia State Parks were an essential resource throughout the pandemic

- Day-use areas remained open
- Overnight facilities closed temporarily for 6 weeks
- 100s of operational changes necessitated by 8 executive orders, 1 executive directive, 20 associated amendments and changing guidelines from the CDC and VDH
- Overwhelming visitation resulted in 178 distinct closures at 23 different parks due to safety concerns and resource impacts
- 78 virtual program videos created with 315,400 views
- 25,258 annual parking passes sold (an increase of more than 10,000 over 2019)
- 52% increase in campsite reservations over previous year (May-Dec)



Virginia State Parks

- Heart of Appalachia
- Blue Ridge Highlands
- Virginia Mountains
- Southern Virginia
- Shenandoah Valley
- Central Virginia
- Northern Virginia
- Chesapeake Bay
- Coastal Virginia
- Eastern Shore



Open for operation Opening soon



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STATE
PARKS

VIRGINIA
IS FOR
LOVERS

DCR
Virginia Department of Conservation & Recreation

**The Identification of New and Stable Funding Sources
for the Operations, Staffing, and Maintenance of Virginia State Parks:
An Initial Study**

Report prepared for:

The Virginia Association for Parks



Delivered March 31, 2021

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Executive Summary

Through a review of approaches taken around the United States, as well as a review of peer-reviewed academic research, this study identifies and evaluates potential sources of fresh funding for the ongoing operations, staffing, and maintenance of Virginia's State Parks. The purpose of this study is to identify potentially viable sources of fresh funding for Virginia State Park operations, staffing, and maintenance that are relatively stable and would not replace, but rather be additional to, existing general funds. By updating calculations from a 2018 in-depth research project by Virginia State Parks staff, the Virginia Association for Parks (VAFP) currently estimates that a total of approximately \$72-\$74M per year from all sources is needed for adequate funding of the annual operations, staffing, and maintenance of Virginia's State Parks.¹ The current annual funding level is approximately \$47M.

This study was commissioned by the Virginia Association for Parks to assist the Virginia Department of Conservation and Recreation to meet the directive of HB 1804, which passed both houses of the 2021 General Assembly session with unanimous votes, and is summarized as follows:

State parks; Department of Conservation and Recreation; recommendations for funding. Directs the Department of Conservation and Recreation to develop recommendations for dedicated sources of funding for state parks that will be relatively stable from year to year. The Department shall submit its recommendations to the Chairmen of the House Committee on Agriculture, Chesapeake and Natural Resources, the House Committee on Appropriations, the Senate Committee on Agriculture, Conservation and Natural Resources, and the Senate Committee on Finance and Appropriations by November 1, 2021.

The overarching finding of this study is that the use of special, non-general, funding for the annual operations of state parks is common and produces strong support for many systems. In FY2018, some 72% of U.S. state park systems reported using "dedicated" and/or "other" funds for routine operations. In that year, 12 systems relied on these special funds for at least 1/3 of their budgets (Leung, Cheung, and Smith, 2019).

{Executive Summary continued on next page}

¹ Vision 2026: Preserving 90 Years of Virginia State Parks (A mission-critical plan for the future and sustainability of Virginia State Parks), November 2018. Details about the updating of estimates from this research project are available from the Virginia Association for Parks (VAFP), upon request. VAFP's estimate of an annual need for \$72-\$74 million includes the assumed provision of General Funds and Revenues equaling \$47 million per year.

The special funds used by other state park systems derive from a number of sources and many states draw upon multiple sources. In some cases, the state park agency receives a specified portion of a general tax, such as a sales tax, while in other cases, the park system or a small group of related agencies benefit from a specific tax or fee created just for that purpose. While any assistance is appreciated, some dedicated sources produce relatively small or unreliable amounts due to their nature (The Virginia dedicated revenue from the sale of surplus land being an example). Very few excise taxes, i.e., taxes collected from the producer rather than the consumer were found in this review.

While readers of this report are strongly encouraged to review and consider all of this report's contents, the research team identifies several special funding strategies that might be most suitable for Virginia State Parks. One such strategy is to mandate that landfill operators pay a per ton tipping fee on solid waste. A second option to consider involves issuing a state park vehicle pass as part of regular motor vehicle registration. Another alternative entails an add-on fee to real estate transfers or recordings. Other potential strategies include tax-based approaches such as a dedicated portion of the general use and sales tax, a tax on recreational vehicles, and/or dedicated portions of sales tax on certain types of outdoor recreation gear and/or corporate business tax. Combining two or more of the aforementioned approaches would increase the stability of this funding as it serves to augment the park system's general funding from year to year.

It is important to note here that the recommendations brought forward in this research avoid creating situations in which state parks would be competing for the same pool of funding with other state agencies. It is also worth noting here that state parks benefit *all* Virginians. Specifically, research indicates that even people who do not visit parks, value their existence and want to see them preserved (Greenley, Walsh, and Young, 1981; Institute for Service Research, 2018). Therefore, parks have an *existence value* by which even those who do not visit are typically glad that they exist. In addition, parks have a *bequest value* in that both visitors and non-visitors want parks preserved for future generations. With the above stated, it is germane to point out that the Commonwealth's park system lags significantly behind the nation in terms of the percentage of the state budget dedicated to state park operations. Specifically, the FY18 figures rank Virginia 42nd out of 50 states [this is the most recent ranking available] (Leung, Cheung, and Smith, 2019).

{Introduction section begins on next page}

The Governor's Natural Resources Commission in its 2003 *Recommendations to Address the Critical Funding Needs of Virginia's Natural Resources Programs* (October 9, 2003) lamented that the entire Natural Resources Secretariat received only 0.6% of the state's general fund budget and recommended restoring this benchmark to the 0.78% which it had previously achieved. As of the FY20 budget, estimation based on data available from the Department of Planning and Budget Public Reports indicates that Virginia's natural resources agencies now receive only about 0.49% of the general fund budget. As such, it appears that these agencies and programs cannot readily rely upon the availability of general funding to fully support their vital work. New and stable sources of funding appear to be needed in addition to the existing general funds.

Therefore, the purpose of this study is to identify and evaluate potential sources of fresh funding for the ongoing operations of Virginia's State Parks, with an emphasis on funds that are relatively stable and would not be considered as replacements for existing funds. By updating calculations from a 2018 in-depth research project by Virginia State Parks staff, the Virginia Association for Parks (VAFP) currently estimates that a total of approximately \$72-\$74 million per year from all sources is needed for adequate funding of the annual operations, staffing, and maintenance of Virginia's State Parks. At the face of it this should not be a difficult task. Virginians overwhelmingly support and appreciate their parks. But in reality, the park system is competing with virtually all other state agencies and citizen priorities for funding, and there are very few untapped sources to be found.

As reported in the most recent Virginia Outdoors Plan (2018):

71% of Virginia households visit natural areas; 67% walk for pleasure; and 56% visit local, state, and national parks.

Each of these statistics has likely increased as a result of the COVID-19 pandemic.

Virginia's chart of accounts shows some 180 tax categories; 420 types of permits, licenses and fees; and 119 types of fines, court fees, and penalties (DPB Chart of Accounts). The revenue from many, if not most, of these charges go to specific purposes within the agency that collects them. Moreover, even the broad tax categories such as income and sales taxes often have provisions to designate specific portions of the revenue for particular uses. It should be noted that the state park user fees (camping, cabins, parking, etc.) technically fall into the definition of designated revenues since they are deposited into a special account and returned for use by the agency. However, the park system has made extensive efforts to maximize fees and develop sales to the point that there might be relatively little room to grow these revenues.

Another potential source of funding is through private and corporate donations and grants. Nevertheless, valuable as they may be, these funds are usually used for one-time projects rather than routine operations (Beitsch, 2016). Such donors typically like to see their contributions support a project with a tangible and "feel-good" result as opposed to supporting various routine operations.

The issue of underfunding state park operations in many states around the Nation has long been recognized, especially as it relates to the decline in state general funds (Days and Shaving, 1998; Echols, Front, and Cummins, 2019; Sheldon, 2021). In theory, the “general” funds of government are the source of money that should be used for the provision of services that provide a “general” benefit, such as the state park system. However, it is often the case that issues perceived as having a more critical nature get priority for these funds. As will be seen in this study, many states have attempted to address this issue by finding special sources of revenues to support their parks. Some have even gone to the extent of amending the state constitution to ensure that specific revenues go to their state park system.

In order to address this issue at hand, it is prudent to briefly explain the structure of government budget and financial processes to understand the potential ways that special funds can be used. In general, budgets are divided between the maintenance and operations budget (funds expected to be used in a single budget year) and the capital outlay budget for construction and, usually, land acquisition. Funds in the capital budget for a particular project usually take more than a single year to spend. The reason this is notable is that there is a tendency to use special revenue sources for capital projects rather than for routine operations. The funds can accumulate over a period of time until they are sufficient to pay for acquisitions and more expensive projects and are not subject to the “use it or lose it” mentality of the annual operations budget. Also, the state parks movement is over 100 years old, which means that there is a large backlog of major repair and replacement projects in most states. Using special funds for these types of capital projects has been a common solution. Special funding for routine operations is less common, but as will be seen, a number of states have found useful solutions which may be of interest to Virginia.

It is also helpful to understand the differences between “revenues”, “funds”, and “taxes and fees”. Revenues are monies that come in from any source: taxes, fees, donations, grants, interest on investment, etc., but all revenues must go into one or more funds. A fund (often capitalized) is an accounting mechanism to keep track of a particular pool of money. Sometimes the name of the fund is specified by the Code of Virginia and other times the code simply states that the comptroller will set up an appropriate fund for the purposes of the law.

Unfortunately, the term “funds” (plural) is often used to mean “revenues”, so there can be some confusion. Taxes

and fees are obligations placed on individuals, corporations, etc. that must be paid to the state. Taxes and many fees are created by the legislature and become part of the Code of Virginia. Usually, the legislation specifies which fund(s) receive the taxes and fees, but if not, they go into the general fund. Some fees, such as state park camping fees, can be created by the agencies, authorities, and foundations of the state if they are given that authority in the code.

“The state parks movement is over 100 years old, which means that there is a large backlog of major repair and replacement projects in most states. Using special funds for these types of capital projects has been a common solution. Special funding for routine operations is less common, but as will be seen, a number of states have found useful solutions which may be of interest to Virginia.”

Methodology

The primary method for this study involved investigating the current funding practices of Virginia State Parks and other U.S. state park systems and reviewing publicly available research to identify potential sources of operating funds. When looking at Virginia, special attention was given to finding current sources of dedicated funding for other state agencies, especially natural resource agencies, in order to avoid recommending actions that would be seen as trying to take funds from a sister agency. Virginia has excellent online resources within the Department of Planning and Budget, Department of Accounts, Department of Taxation, and the Legislative Information System (LIS) that allow one to identify the agency sources of revenues and to then drill down for further information such as which other agencies receive the same funding, legislative requirements for special funds, etc. In this research process, when necessary, specific agency contacts were made to clarify questions.

The most recently available *Statistical Report of State Park Operations: 2017-2018, Annual Information Exchange (AIX)*, a document produced by the National Association of State Park Directors, served as one resource to identify other U.S. state park systems that report significant funding from non-general funds (identified in the AIX report as “Dedicated” and “Other” Revenues) and park-produced revenues. In some cases the notes associated with the report identified the specific sources of these funds which could be further researched and quantified using public information found on the internet. In cases where the sources were not identified, selected states were researched on the internet and/or contacted by phone or email to collect additional information. It is also prudent to note that the AIX is a voluntary report and it is based on expenditure categories, which is not necessarily the same as the revenue source. Consequently, if a special state tax or fee is deposited into, and spent from, the fund that receives money collected from park visitors, this might be reported as “park-generated” revenue rather than “dedicated” revenues.

Additional research was also conducted within available academic and generally available sources, primarily as internet-based searches. This work often uncovered revenue sources that were not readily discoverable through the AIX report. Once a particular revenue source was identified, searches within state codes of law, state budgets, and state accounting offices were performed to identify the sources of funding, restrictions on usage, annual revenue produced, etc. Here again, emails and phone calls were made to clarify issues when necessary.

To help inform and contextualize this project, research was not limited to funding for state park systems. Funds were looked at that benefited agencies and public bodies relating to conservation, outdoor recreation, the environment, etc., although the greatest emphasis was on parks. The impetus here was to potentially uncover best practices that might be portable to a park context.

Findings

The overarching takeaway from this study is that the use of special, non-general, funding for the annual operations of state parks is common and produces strong support for many systems. In FY2018, some 72% of U.S. state park systems reported using “dedicated” and/or “other” funds for routine operations. As listed in Table 1, at least 12 systems rely on these special funds for at least 1/3 of their budgets (Leung, Cheung, and Smith, 2019).

The special funds come from a number of different sources and many states tap into multiple sources. In some cases, the state park agency receives a specified portion of a general tax, such as a sales tax, while in other cases the park system or a small group of related agencies benefit from a specific tax or fee created just for that purpose. While any assistance is appreciated, some dedicated sources produce relatively small or unreliable amounts due to their nature (The Virginia dedicated revenue from the sale of surplus land being an example). Very few excise taxes, i.e., taxes collected from the producer rather than the consumer were found.

Research for this study shows that Virginia already has a number of dedicated portions for of existing taxes as well as several special taxes for special purposes for conservation-related uses. It is important to point out, however, that most of these are directed to state agencies and foundations other than the state park system. Nonetheless, opportunities still exist to tap into novel sources of revenues or to expand existing sources in a way that does not diminish value to the current users.

{Table 1 presented on next page}

Table 1: States that Receive Dedicated / Other Funds (during 2018)

State:	% of Total Funding:	State (cont.):	% of Total Funding (cont.):
Missouri	82.1%	Florida	19.2%
Illinois	79.9%	Maine	17.1%
Texas	73.5%	West Virginia	17.0%
Maryland	70.6%	Nevada	14.5%
California	64.6%	Ohio	10.7%
Montana	57.2%	New Jersey	9.7%
Oregon	53.9%	Alabama	8.3%
Minnesota	49.3%	New Mexico	8.3%
Alaska	45.5%	Washington	7.0%
Iowa	41.6%	Wyoming	5.3%
Arizona	36.7%	Georgia	3.7%
Arkansas	33.2%	Tennessee	2.7%
Idaho	31.9%	South Dakota	2.2%
Kansas	31.1%	Utah	1.6%
Michigan	28.3%	Nebraska	1.2%
Pennsylvania	27.2%	Delaware	0.9%
Louisiana	23.1%	Massachusetts	0.8%
Hawaii	19.8%	Vermont	0.5%
<ul style="list-style-type: none"> ➤ Number of states that had dedicated/other funds during 2018: 36 states ➤ Average percentage of total funding: 27.3% 			
<p>List of 14 states that reported no dedicated / special funds during 2018: Colorado, Connecticut, Indiana, Kentucky, Mississippi, New Hampshire, New York, North Carolina, North Dakota, Oklahoma, Rhode Island, South Carolina, Virginia, Wisconsin</p>			
<p>Source: Leung, Yu-Fai., Cheung, Suet-Yi., Smith, Jordan. (2019) <i>Statistical Report of State Park Operations: 2017-2018, Annual Information Exchange</i>. National Association of State Park Directors. July 2019</p>			

Potential Sources of Special Revenues: Broad Categories

Examination of various states uncovered a number of revenue sources other than general funds that are used in various ways for funding state parks and other conservation purposes. Broad categories of such revenue sources are presented in Table 2. It is more common to use these special funds for capital improvements and land acquisition, but many are used for annual park operations. No source seems to be absolutely reliable as a stream of funding; therefore, combining two or more yields the best results. Those that are generated by volume of sales or transactions are subject to fluctuations in the market. In fact, even trust funds can often be reappropriated by the legislature due to factors in the economic or the political climate. Adding further complexity, often the enabling acts for special revenue sources have a sunset clause or a cap on the amount that can accrue in the fund.

Table 2: Broad Categories of Potential Revenue Sources	
Source Category:	Examples of Application:
Sales and Use Tax	A percentage of the general sales tax designated for use by the parks
	The amount of tax collected from a particular type of commodity or service (Example: camping gear)
Special Sales and Use Tax	A special tax in addition to the normal sales tax (Examples: watercraft sales tax, rental vehicle tax, lodging tax, meals tax)
Real Estate Taxes and Fees	A percentage of the total transaction
	A set fee (often called a stamp) for each transaction
State Lottery Funds	A designated portion of the lottery revenues are diverted to the state parks agency
Oil, Gas, Energy, Mineral Tax	A percentage or set amount of collections are designated for use by the park system
Vehicle Registration Fees	Fees that give the vehicle entry to state parks. These fees can be mandatory, opt-out, or opt-in
	Special Fees for off-road vehicles that use public lands
Vanity License Plates	Add-on fees to the normal vehicle registration process to obtain a special state park design license plate. In Virginia, a minimum sales threshold must be reached to cover DMV costs before revenue starts to flow to the agency

{Table 2 continued on next page}

Source Category (continued):	Examples of Application: (continued):
Waste Disposal Tipping Fee	Mandate that landfill operators pay a per ton tipping fee on solid waste
Motor Fuel Tax	Unclaimed gasoline tax Refunds
	Designation of a portion for non-highway use
Business Tax	Dedicate a portion of the business income tax

The Use of Special Revenue Sources in Virginia for State Parks and Other Conservation Purposes

The Commonwealth of Virginia already employs several special fund strategies for conservation purposes, although only a small part of these go to the Division of State Parks and almost none are utilized for routine park operations. Some of these special sources of funding are detailed in this section.

NOTE:
 This section includes examples of special funds employed in Virginia for conservation-related purposes, including special funds used by agencies other than the Department of Conservation and Recreation (e.g. the Department of Environmental Quality; the Department of Wildlife Resources).

Conservation Resources Fund:

This is the fund that accounts for state park user fees, concessionaire fees, and proceeds from sales of timber. It provided almost \$22.4 million to the state park expenditures in FY20 (APA Data Point website). One feature that is worth mentioning just to show that the Virginia State Park system is turning over every leaf it can find is the “round-up” program. Visitors are offered the chance to round up the cost of any purchase made at a park or through the reservation system to the next whole dollar amount. The extra increment is then deposited into the State

Parks Project Fund where it can accumulate. Though not a huge source of income, this program generates tens of thousands of dollars annually (Swinson, 2021).

Real Estate Recordation Fees:

The Virginia DCR receives funding from real estate transaction fees in two ways. Part of the “additional fees” collections of the tax go to the Virginia Natural Resources Commitment Fund (along with other sources of funding), , with this money being used by the Division of Soil and Water. There is also a special \$3 fee on transactions in localities where the Virginia Outdoors Foundation holds conservation lands or easements. This fee generated roughly \$1.2 million in DCR’s FY20 expenditures (APA Data Point website).

Sale of Surplus Property:

The Code of Virginia specifies that 50% of the sale of any state property is to be deposited into the State Park Acquisition and Development Fund. The amounts available from year to year can be significant but are unpredictable, and the funds cannot currently be used for routine operations and maintenance. State parks expenditures from this source were approximately \$3.1 million in FY20 (APA Data Point website).

Voluntary Income Tax Check-Off Program:

Citizens can donate a portion of their tax refund to the Open Space Recreation and Conservation Fund, which can be used by DCR to acquire lands; develop, improve, or maintain state parks; and fund grants through the Virginia Outdoors Foundation. These voluntary donations amounted to an estimated \$45K in FY17 [most recent figure located] (Virginia Tax Annual Report Fiscal Year 2019).

Vanity License Plate:

The Virginia State Park license plate (one of over 250 types in circulation in Virginia) became available in 2019. A certain number of plates had to be sold to cover DMV costs before surplus funds could go to parks. The primary benefit of the license plate program is to engender public support for parks. This initiative is not expected to be a major source of funds, with about \$7K being transferred to parks so far in FY21 (Swinson, 2021).

Sales Tax:

Virginia is one of only two states that designate a portion of the general sales tax to conservation purposes, the other being Texas. Two percent of the sales of hunting, fishing, and wildlife viewing equipment and equipment that is “auxiliary” to these activities is transferred to the Virginia Department of Wildlife Resources (VDWR) with a cap of \$13 million per year. The amount of tax collection is not traced directly during sales, but instead is estimated using figures provided by a user survey conducted by U.S. Census for the Federal Fish and Wildlife Service (Code of Virginia, §58.1 - 638).

Watercraft Sales Tax:

The Department of Wildlife Resources benefits from a 2% sales tax on watercraft sales that is deposited into the Game Protection Fund (Code of Virginia, §58.1 – 14). The Watercraft Sales

and Use Tax collections fluctuate considerably due to general economic conditions. Revenues to the fund in FY19 were approximately \$5.7 million (Virginia Tax Annual Report Fiscal Year 2019).

Motor Vehicle Fuel Tax:

A two cents portion of the motor fuel tax is designated for non-highway purposes. Most of this goes to the Department of Wildlife Resources for boating access. Additionally, the unclaimed tax that is used for non-highway consumption of taxed fuel is designated for use by a number of agencies and boards, including use by DCR's Soil and Water Conservation Board, for water access and water quality (Code of Virginia, § 58.1 - 24.25).

Litter Tax:

Charged to stores that sell items sometimes prone to end up as litter, this tax goes to the Department of Environmental Quality and is used to make grants to localities (Code of Virginia, § 58.1 – 1707).

Disposable Plastic Bag Tax:

Localities have the option to employ this tax. Proceeds are returned to the locality (Code of Virginia, § 58.1 – 1745).

Waste Tire Tax:

Funds are transferred to the Department of Environmental Quality for tire disposal and recycling programs (Code of Virginia, § 58.1 – 641).

NOTE:

In an effort to offer an additional layer of detail to these discussions, Table 3 delineates some special funds that exist within the Virginia Department of Conservation and Recreation.

Table 3: Major Virginia DCR Non-General Funds FY20

Fund #	Fund Name:	Main Non-General Fund Source of Revenue:	Estimated FY20 Revenue:	DCR Uses:
02040	Open Space Preservation Fund	Recordation Tax - Open Space Preservation Fund	\$1.2M	Virginia Outdoors Foundation
02153	Natural Area Preservation Fund	Misc Lic, permits & fees; Misc revenues; donations	\$344K	Div. of Natural Heritage
02164	Land Preservation fund	Land preservation tax credit; Forestry services to landowners	\$411K	Administration of DCR Land Cons. Office
02410	Open Space Recreation and Conservation Fund	Income tax check-off program	\$30K	Acquire land for parks and natural areas; state park development and maint.; Grants
02650	State Park Acquisition and Development Fund	Sale of surplus state property	\$3.1M	Acquisition and development projects for SP
02661	State Park Projects Fund	Private gifts, donations, and grants (Including "Round-Up" sales program)	\$207K	Special projects and purposes within the operations budget
09170	Va Land Conservation Trust Fund - Restricted	Mitigation Fees	\$247K	Grants from the Virginia Land Conservation Foundation
09180	Va Land Conservation Trust Fund - unrestricted	Land preservation tax credit fee; General Funds	\$4.3M	Grants from the Virginia Land Conservation Foundation

{Table 3 continued on next page}

Fund # (cont.):	Fund Name (cont.):	Main Non-General Fund Source of Revenue (cont.):	Estimated FY20 Revenue (cont.):	DCR Uses (cont.):
09340	Va Water Quality Improvement Fund	Portion of prior year General Fund Surplus	\$5.9M	Div. of Soil and Water
09360	Va Natural Resources Commitment Fund	Recordation Tax; Portion of prior year General Fund Surplus	\$56.4M	Water improvement projects
Sources: APA Data Point website; DCR website; Partee, 2021.				

Sources of Special Revenues Used in Other States but Not Currently Used for Conservation Purposes in Virginia

State Lottery:

Originally, Virginia lottery funds were used for many purposes, including state park capital projects. However, a constitutional amendment in 2000 now requires that all proceeds be used for K-12 education (Virginia Constitution, Article X, Section 7 – A).

Vehicle Rental Tax:

Virginia collects a 10% tax on all vehicle rental transactions, including vehicles that are towed (trailers, campers, etc.) Four percent of the tax goes to the locality, 2% goes to the state police STARS radio system, and 4% goes to transportation (the Commonwealth Transportation Fund and the Washington Metropolitan Transit Authority), but none of this tax revenue is currently used for parks or conservation (Saunders, 2021). No records are apparently kept to determine what percentage of rentals are made by recreational vehicles (See Alaska which follows). Virginia’s vehicle rental tax collections were an estimated \$103.4 million in FY20 (Virginia Auditor of Public Accounts, Commonwealth Data Point).

Motor Vehicle Sales and Use Tax:

Although not used as a source of state park funding in any state that was studied, this tax is similar in nature to the Watercraft Sales and Use Tax that currently benefits the Dept. of Wildlife Resources in Virginia. The Motor Vehicle Sales and Use Tax is a substantial pool of money, approximately \$954.5 million (Virginia Auditor of Public Accounts, Commonwealth Data Point), which is currently divided between the state (Commonwealth Transportation Fund) and localities in a manner similar to that of the general state sales and use tax (Code of Virginia §58.1 – 2425). The Virginia Division of Motor Vehicles does not currently produce any reports

that would identify how much of this tax is related to the sale of RVs but has indicated that it might be possible to produce an ad hoc report delineating this information (Cummings, 2021).

Motor Vehicle Registration/Park Pass Fees:

At this time Virginia does not currently provide a state park pass in a cooperative arrangement with the DMV, either as a mandatory fee (see Connecticut) or an optional fee (see Michigan and Montana). However, an “opt-in” type of fee has been explored with the Virginia Department of Motor Vehicles but has not come to fruition (Swinson, 2021).

Corporate Income Tax:

No portion of income taxes from corporations is apparently dedicated to conservation or environmental purposes. FY19 total revenues were an estimated \$943.4 million (Virginia Auditor of Public Accounts, Commonwealth Data Point). [See New Jersey discussion in coming section].

Waste Disposal Tipping Fees:

Tipping fees are mentioned here as a potential source of funding for conservation purposes. Governor Northam introduced a request for a study to investigate a possible statewide tipping fee on waste disposal. This revives a concept proposed in the 2004 legislative session by Delegate James Dillard II that would have designated the proceeds for environmental purposes.

{State-by-State section begins on next page}

State-by-State Examples: Special Funds Used for Conservation or Park Purposes

Alaska:

In addition to the standard 10% **tax on rental vehicles**, Alaska adds another 3% tax to the transaction for Recreational Vehicle rentals, with these proceeds being made available to the state park system. Tax collections from this source were approximately \$435K in 2020 (Alaska Department of Revenue).

Arizona:

Arizona State Parks benefit from an **off-road vehicle registration fee** which is required to ride on public lands. The agency shows \$692K in operating funds from this source in FY20 (Arizona FY 2020 Appropriations Report). However, these funds must be used to operate and maintain OHV trails on state parks. Arizona also uses money from the state lottery to fund the Arizona Heritage Fund, which goes to the Game and Fish Department.

Arkansas:

A **real estate transfer tax** creates revenues that are deposited into the Arkansas Natural and Cultural Resources Grant and Trust Fund (ANCRCTF). The state park system applies for annual grants from the fund to address many different types of projects. In FY17, state parks received \$6.2 million from this fund (Outdoor Industry Association 2017).

Colorado:

The state parks system dips into Colorado lottery funds in two ways. It receives grants from the Great Colorado Outdoors Fund (GOCO), which is funded by **lottery proceeds**, and it receives a 10% portion of lottery revenues directly (Colorado Parks & Wildlife 2020). While funds can only be used for specific purposes, the range of allowable uses is broad and includes many, if not most, projects that would be funded through the operations budget.

Connecticut:

Connecticut created the Passport to Connecticut State Parks and Forests Program to generate 80% of the budget for the operation of the state park system, about \$16 Million (Hammerling 2021). This is a **mandatory fee of \$5/year (there is no opt-in or opt out) added to the registration** of every non-commercial vehicle in the state. Registrations are typically for three years, meaning this is a \$15 fee at each registration event. In return, vehicles with Connecticut state license plates are admitted free at state parks.

The Passport to Connecticut State Parks and Forests Program increased visitation to the state's parks by approximately 10% in 2018.

(Source: Holt, 2019)

Florida:

The state parks budget for FY21 shows almost \$38 million (38%) of the operating budget coming from the Land Acquisition Trust Fund, which derives its revenue from a **real estate transfer tax** (Transparency Florida, 2021). Additional amounts from this fund are also used for capital outlay projects.

Illinois:

In 2012, Illinois enacted a special **\$2 increase to the motor vehicle registration** fee that goes to the Parks and Conservation Fund (Long, 2012). State financial documents show this fee raised approximately \$17.2 million for the fund in FY20.

Iowa:

Iowa State Parks receive substantial funds in the operating budget from what is known as the REAP fund (Resource Enhancement and Protection). REAP itself is funded from the Iowa Environment First Fund which received its revenues from **Iowa gaming receipts**. The REAP statute directs that \$20 million per year should be appropriated, but the legislature rarely appropriates the full amount. Nonetheless, REAP received approximately \$12.5 million in the most recent budget, with state parks receiving a pre-determined 9% (≈\$1.1M) for operational uses...primarily maintenance and repairs (Iowa Department of Natural Resources).

Kansas:

The state parks agency receives almost 1/3 of its budget from the Economic Initiatives Development Fund, which is derived from **gaming revenues** (Mariani, 2015). However, this is a replacement for general funding.

Maryland:

Program Open Space provides about one-half of the annual operating budget for Maryland's state park system (Mock, 2021). The money for this program is derived from a **0.5% tax on real estate transfers** in the state. The legislation directs that the greater of 40% of the annual collections or \$21 million be appropriated for the routine operations of the state's parks and forests (Maryland State Code, Natural Resources, § 5-9030).

Michigan:

The state parks agency in Michigan has received funding from a number of sources, but one of the more creative ones is the Michigan State Parks Endowment Fund (MSPED). The fund was created as a constitutional amendment in 1994 and the designated source of funding is state **revenues from gas, oil, and mineral extraction**. However, at the time of creating the MSPED, the constitution already mandated that these revenues be deposited into the Michigan Natural Resources Trust Fund until that fund reached a total of \$500 million. Consequently, it was not until May of 2011 that the MSPED started receiving funds, and as of 2019 it had achieved a balance of \$283.7 million. The fund will stop receiving the oil/gas/mineral revenues when it reaches a cap of \$800 million and at that time it is expected to only draw from interest and investments annually. In order to receive financial benefits from the MSPED before it is fully

funded, the state can appropriate up to ½ of the annual income to the state parks, with \$11.4 million being appropriated in FY21 (Crandall, 2021). Funds can be used for a combination of purposes including operations, maintenance, development, and land purchase. Michigan also offers an **annual pass as an opt-in purchase option when registering a vehicle**. This is technically a park user fee that is collected by the DMV.

Minnesota:

Minnesota takes an unusual approach by creating a catch-all fund, the Minnesota Natural Resources Fund, which collects many types of revenues. Among the sources are: **lottery funds, licenses and registrations (ORVs), state park user fees, mining fees, water fees, and unclaimed gas tax refunds**. The funds are managed within 20 accounts, at least two of which are major sources of funding for state parks. The state reported that state parks benefited from approximately \$52.2 million of these funds in FY18. It is prudent to note, however, that \$17.6 million were from park user fees. Also, many of the expenditures were associated with ORV trails and ski trails (Minnesota Department of Natural Resources, 2018).

Missouri:

About three-fourths of the state park system's annual budget comes from a **1/10th percent special sales tax** called the parks, soils, and water sales tax. The state park system receives half of these tax collections (Missouri State Parks website). In FY20 this was estimated at \$28.4M (State of Missouri Budget Explorer). This is constitutionally mandated and provides a generally stable source of funds. Nevertheless, it should be noted that the parks agency does not receive any general funds.

Montana:

Montana State Parks generates about 1/3 of its operating budget (about \$3.0 million) from an **additional park entrance fee collected with motor vehicle registrations**. This is an “**opt-out**” fee, meaning that the fee is automatically added to the registration cost unless the registrant takes specific action to exclude it (Judy, 2010). As a result, 87% of those who register light vehicles pay the park option (currently \$9), which also includes admission to all parks (Montana State Parks, 2019).

New Hampshire:

New Hampshire offers a version of its **license plate that serves as an annual pass** to state parks. This is an **opt-in** type of fee of \$85 and is probably more properly classified as a state park user fee that is collected by the motor vehicles department (New Hampshire DMV). At this point it may be noted that New Hampshire claims to be one of the few park systems with annual operations being fully supported by user fees. However, much of the revenue comes from ski areas (Morrissey, 2018) and the department has been criticized for being underfunded.

New Jersey:

By constitutional amendment, six percent of all **corporate business tax revenues** are dedicated to environmental purposes. Of that amount, 78% goes to the Garden State Preservation Fund,

with 62% of this going to the Green Acres Program, of which the state parks receive 60% for acquisitions, recreational development, and capital projects. Using information from the New Jersey state finance office (New Jersey state website), the estimated \$3.5 billion in corporate tax collections would result in roughly \$59 million for the park system each year.

Texas:

Though not known as being a high tax state, Texas showed strong support for its state and local parks and historic sites by creating the Texas Sporting Goods Sales Tax. Despite the name, this is not a separate tax but a **cut-out of the normal state sales tax** equal to the estimated amount collected from a wide array of sporting goods. Revenues generated were \$168.5 million in FY19 (Keene, 2019). After the initial creation of the fund, there was apparently a problem in that the legislature often failed to appropriate the full amounts from the fund for the intended purposes. However, a constitutional amendment passed by referendum in 2019 mandates that 100% of the funds must now go to the Texas Parks and Wildlife Department and the Texas Historical Commission. Texas also receives funding from vanity license plate sales, and a 2019 study recommended that an additional \$1 fee be added to vehicle registration fees for the benefit of parks and wildlife (Alvi, 2020).

Wisconsin

State tipping fees in Wisconsin totaled \$12.98 per ton in 2019 and generated approximately \$21.9 million in revenues (Tikalski, 2019). This money, along with money from other sources, is deposited into the Segregated Environmental Fund, which comprises a large portion of the Wisconsin DNR budget. These funds are used primarily for grants to localities, nonpoint source pollution projects, remediation, etc. and do not go to the state parks budget (Hayes, 2021).

{Recommendations and Discussion section begins on next page}

Recommendations and Discussion

Although the research presented in this report illustrates a number of potential funding sources for Virginia State Parks, it is difficult to predict which ones are the most feasible. All sources should be considered. In fact, it is advisable to pursue a number of fresh funding options that can be combined to create the desired effect. Combining several sources could aid the stability of such funds as they serve to augment existing general funding. That said, in the assessment of this research team, the following alternatives warrant the closest consideration.

➤ *Waste Disposal Tipping Fee*

In 2018, the average tipping fee in Virginia was \$53.48 which was lower than the average for the Northeastern states (AVG = \$67.39) but was higher than the average for Southeastern states (AVG = \$42.32) (Environmental Research and Education Foundation, 2018). More than 4 million tons of the approximately 5.78 million tons accepted at Virginia's landfills in 2019 were from out of state (Vogelsong, 2020).

More than 4 million tons of the approximately 5.78 million tons accepted at Virginia's landfills in 2019 were from out of state.

(Source: Vogelsong, 2020).

Hypothetical Tipping Fee Scenario:

Using waste quantity amounts dumped in Virginia during 2019 (≈5.78M tons), a \$3 per ton tipping fee could yield an estimated \$17.3M for the operations of Virginia's State Parks (Source of waste tonnage estimate: Vogelsong, 2020).

➤ *Mandatory State Park Vehicle Pass as Part of Regular Motor Vehicle Registration:*

Connecticut's \$5 fee produces \$16 million but Virginia has many more vehicles. As previously stated in this report, a tangential benefit associated with bundling state park vehicle passes with all DMV registrations is a significant increase in state park visitation counts. Due to the increasing popularity of ride sharing services in metro areas, vehicle ownership may decline in coming years. Therefore, this source of funding should be used to augment rather than to replace existing general funding.

Hypothetical DMV Registration Scenario:

Virginia has roughly 2.39 times the population of Connecticut. Consequently, a \$5 fee in Virginia should generate approximately \$38.2M.

NOTE: This option would decrease the collection of parking revenues (parking revenues are approximately \$6M annually) but would increase other revenue streams (e.g., boat rentals, concessions, merchandise, etc.). Parking fees would still be charged for out of state vehicles entering a park but could usually be done by self-pay option (except for a couple of parks on busy weekends). Because most vehicles would not need to pay upon entrance, labor costs could be reduced at many parks.

➤ *Dedicated Portion of the General Sales and Use Tax*

Portions of the state's share of the sales and use tax already go into several special funds, but the majority, \$3.6 billion, goes into the General Fund (Virginia Tax Annual Report). As previously described in this report, about three-fourths of Missouri's park system's annual budget derives from a 1/10th percent special sales tax termed the parks, soils, and water sales tax.

Hypothetical General Sales and Use Tax Scenario:

Dedicating one-half of one percent of the above \$3.6 billion to Virginia State Park operations would produce an estimated \$18 million.

➤ *Recreational Vehicle Sales Tax:*

This would involve dedicating all or a portion of the existing vehicle sales tax that is attributable to RV sales (motor homes, camper trailers, etc.) or creating a special sales tax on RVs for use by state parks. There already exists a special Watercraft Sales and Use Tax that benefits the Department of Wildlife Resources, so this would not be setting a precedent. It is germane to note that the DMV was not able to provide an estimate of the current taxes collected from these vehicle sales to the researchers in this current study. They did, however, state that they may be able to make such an estimate in a commissioned ad-hoc report. The DCR may be able to acquire such a special report if requested.

Hypothetical RV Sales Scenario:

More precise data may be available by special request to DMV to ascertain the total number and average sales price of new and used RVs. However, using only 2017 RV purchases from dealers in Virginia (7,766 RV purchases), the current 4.15% tax rate could yield an estimated \$15.5M for the operations of Virginia's State Parks (Source of RV sales data: <https://www.thewanderingrv.com/rv-industry-statistics-trends-facts/>; average RV price in this scenario = \$48K).

{Recommendations and Discussions section continued on next page}

➤ *Dedicated Portion of Sales Tax on Equipment and Supplies Relating to Park Visits:*

This would be an expansion of the existing practice that benefits the Virginia Department of Wildlife Resources. It should be noted that the current VDWR set up benefits from having a survey conducted by the U.S. Census Bureau for the Fish and Wildlife Survey that specifically estimates state resident spending on hunting, fishing, and wildlife watching equipment and auxiliary equipment. It may be possible to create similar estimates for park-related purchases available through the U.S. Bureau of Economic Analysis for consumer spending.

Hypothetical Dedicated Portion of Sales Tax on Equipment and Supplies Scenario:
There are currently too many unknowns (e.g. categories of equipment to include; proportion of sales tax to dedicate) to provide an estimate here.

➤ *Dedicated Portion of the Corporate Income Tax:*

Explore the possibility of dedicating a portion of existing corporate income taxes for use by state parks, similar to what has been done in New Jersey. This research project did not discover any such existing special designation in Virginia. Environmental Conservation is one of the major areas of emphasis within the growing Corporate Citizenship movement (Leonard, 2019). It may be possible to solicit support from the business community, especially if this strategy entails dedicating portions of existing taxes rather than proposing a tax increase. It may also be advisable to form a coalition of environment/conservation agencies and the Virginia Chamber of Commerce to create a “campaign” that would merge the public relations benefits of corporations with the financial needs of conservation agencies. **“Businesses Supporting the Outdoors”** could be a very persuasive concept for all involved. Such an effort could potentially open the doors to additional partnerships between conservation agencies and individual businesses and business associations. A comprehensive approach can be adopted, or particular attention can be afforded to emerging fields experiencing substantial growth in Virginia. Examples of such fields include the data center sector and renewable energies.

Hypothetical Dedicated Portion of Corporate Sales Tax Scenario:

In 2019, corporate income tax revenues in Virginia totaled to \$943.4M (<https://www.tax.virginia.gov/annual-reports>). If 2% of the 2019 figure were dedicated to Virginia’s State Parks’ operations the amount would have been \$18.8M that could have augmented existing general funding. It is prudent to note here that corporate income tax revenues in Virginia increased, on average, 4.2% per year for the 10-year window leading up to 2019. As such, dedicating a 2% portion to parks would typically be covered by the annual increase.

NOTE: In this scenario, 2019 data is used as opposed to 2020 due to the anomaly of the COVID-19 pandemic.

Potential funding alternative to be used in conjunction with one or more previously presented funding solutions:

➤ *An Add-On Fee to Real Estate Transfers or Recordings:*

There are already add-on fees for real estate transfers in Virginia, including one that is utilized by the Virginia Outdoors Foundation. However, the overall dollar amount in a typical real estate transaction is so large that tacking on a small fee may not generate a great deal of resistance. For example, the existing \$3 “Fee for Open Space Preservation” generated roughly \$1.2 million per year for the VOF in FY20 (APA Data Point website). The current \$3 fee for the VOF could be scaled up to perhaps \$15 with the resultant revenues benefitting both the VOF and State Parks.

Hypothetical Real Estate Transfer Scenario:

Increasing the existing \$3 fee to \$15 and splitting 50/50 with the VOF could potentially generate approximately \$3M per year for the operations of Virginia’s State Parks.

Because the VAFP estimates that a total of \$72-74M per year is needed to adequately operate, staff, and maintain Virginia’s State Parks, this strategy would need to be implemented in combination with one or more other special funding strategies. As previously stated, combining strategies should serve to increase funding stability.

{Recommendations and Discussion section continued on next page}

One issue for which we do not have a useful recommendation is how to avoid having special park revenues diverted to other purposes, even if they have a unique source of funding. This problem was encountered many times in the research for this report. In Virginia and most other states, the annual budget bill legislation supersedes other existing state law, allowing the legislature to redirect dedicated funds. Thus, cutting park special funding is especially common during times of economic stress, when ironically, state parks often receive their highest visitation. A few states have protected special funds through constitutional amendments, but this process is relatively rare in Virginia. The DCR may be able to seek additional advice on this issue from the Senate Finance Committee, House Appropriations Committee, or Legislative Services.

“One issue for which we do not have a useful recommendation is how to avoid having special park revenues diverted to other purposes, even if they have a unique source of funding. This problem was encountered many times in the research for this report.”

While identifying new sources of stable funding for a park system can seemingly be a complex and daunting task, it is one that could benefit *all* Virginians. Specifically, research indicates that even people who do not visit parks, value their existence and want to see them preserved (Greenley, Walsh, and Young, 1981; Institute for Service Research, 2018). Therefore, parks have an *existence value* by which even those who do not visit are typically glad that they exist. In addition, parks have a *bequest value* in that both visitors and non-visitors want parks preserved for future generations.

It is also important to identify new and stable funding sources for state parks because as demonstrated during the great recession a decade ago, and again throughout the COVID-19 pandemic, state parks help insulate Virginia’s tourism infrastructure from economic fluctuations. When the economy flourishes, people visit state parks... when the economy contracts, people STILL visit state parks. Thus, many other businesses within Virginia’s tourism infrastructure (e.g. convenience stores, gas stations, restaurants, etc...) often benefit from the steady, relatively recession-resistant flow of visitors to state parks. Along these lines, many of Virginia’s State Parks help inject money into economically-strained areas of the Commonwealth. In fact, the majority of Virginia’s State Parks are located in areas that are below the statewide average on commonly employed economic indicators such as median income.

Another benefit of the state park system is an increase in values of those real estate properties adjacent to a park. A well-known [highly cited] researcher, Dr. John Crompton, published a study in 2005 in which he analyzed the findings of a collection of studies that have attempted to estimate the influence that park proximity has on real estate values in the United States. In doing so, he concluded that (Crompton, 2005; p. 203):

“...a positive impact of 20% on property values abutting or fronting a passive park is a reasonable starting point guideline for estimating such a park’s impact.”

Based upon Dr. Crompton’s research, it is not unreasonable to extrapolate that, *on average*, across the State of Virginia, abutting or fronting a state park location increases property value by approximately 20%. This statement regarding real estate values should not be taken out of context of the following parameters: The phrase ‘on average’ is purposefully included because a number of factors influence real estate prices. For example, in rural areas, variables such as road frontage, easements, soil, and timber availability can influence property-specific pricing. In oceanfront areas, factors such as water frontage, views, and availability of parking can influence property-specific pricing.

Moreover, stable funding sources for parks are desirable because such parks sometimes aid in attracting corporate investment into a geographic region. Stated differently, because parks contribute to local residents’ quality of life, they are an amenity that is considered in some business expansion decisions. For example, the Amazon corporation listed *total park acreage* as a criterion in selecting their HQ2 site during 2018 (Ohnesorge, 2018). Thus, the following logic holds true: people not only want to visit nice places, they are also drawn to live and work in nice places – parks help make areas more livable and appealing.

In summary, Virginia’s State Parks are in dire need of new and stable funding sources to augment existing general funds. The Commonwealth’s park system lags significantly behind the nation in terms of the percentage of the state budget dedicated to state park operations, with the FY18 figures ranking Virginia 42nd out of 50 states [this is the most recent ranking available] (Leung, Cheung, and Smith, 2019). Various forms of dedicated and special funding above and beyond (in addition to) general funds are utilized by park systems in a number of other states as a way to ensure strong funding, but Virginia uses virtually no dedicated revenue for the park maintenance and operations budget. The confluence of several factors deems Virginia to be in particular need for such additional funding:

- 1) AGE: The original parks are nearly 90 years old and have substantial levels of deferred maintenance.
- 2) GROWTH: Approximately 10 new parks have either opened in recent years or are under construction. Park master planning must typically develop amenities such as trails and restrooms before the other amenities that produce higher volumes of revenue (e.g. cabins) can be added.
- 3) FEES: The park system has already increased visitor fee structures in recent years. Additional fee increases might make the parks inaccessible to many Virginians.¹

The Commonwealth’s park system lags significantly behind the nation in terms of the percentage of the state budget dedicated to state park operations, with the FY18 figures ranking Virginia 42nd out of 50 states [this is the most recent ranking available].

(Source: Leung, Cheung, and Smith, 2019)

¹Some of the discussions in the final several paragraphs of this report were paraphrased from the following source: Magnini, V. (2020). Virginia State Parks: Economic Impact Report 2019. Virginia Tech, Pamplin College of Business: Blacksburg, VA.

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Errors and Omissions:

While effort was made by the researchers in this project to present accurate and complete information, neither the researchers nor the Institute for Service Research (ISR) accept responsibility for inaccurate or incomplete information.

Forward-Looking Statements / Risk and Uncertainties:

Some of the statements in this report that are not historical facts are “forward-looking statements.” Such forward-looking statements are associated with certain risks and uncertainties which could cause actual outcomes to differ substantially from those predicted in this report.

Neither the researchers nor ISR can be held responsible for any actions / decisions that might be influenced by the contents of this report.

Researcher Bios

Dr. Vincent Magnini was ranked as one of the top 12 most prolific hospitality researchers worldwide in the most recently published global ranking study. He is a U.S. Fulbright Scholar and has published seven books including a new release in 2020 for park management titled *An Ecotourism Provider's Handbook* (with Donald Forgione). Dr. Magnini has also been featured on National Public Radio's *With Good Reason*, *All Things Considered*, *Pulse on the Planet* and cited in the *New York Times* and *Washington Post*.

Examples of recent economic impact studies completed by Dr. Magnini include:

- The Economic Impacts of the Virginia Capital Trail (with Lauren Pilkington and Chuck Wyatt)
- The Economic Impacts of Agritourism in Loudoun County, VA
- The Economic Impacts of Michigan's Ports and Harbors (with Dr. John Crotts)
- Potential Economic Impacts of a Shooting and Archery Range Complex in the SRRRA Area (with Chuck Wyatt)
- Virginia State Parks Economic Impact Report (conducted annually)
- The Economic Impacts of the Southern Virginia Higher Education Center
- Potential Economic Impacts and Factors Contributing to the Success of Rail-to-Trail Conversions (with Chuck Wyatt)
- The Economic Impacts of Spearhead Trails (with Chuck Wyatt)
- The Economic Impacts of Southside Virginia Community College
- The Fiscal and Economic Impacts of Virginia's Agritourism Industry (with Esra Calvert and Dr. Martha Walker)
- The Economic Significance and Impacts of West Virginia's State Parks and Forests (with Dr. Muzzo Uysal)

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Corporate Profile

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