

PROPOSITION 21: SHOULD CALIFORNIA IMPOSE A VEHICLE SURCHARGE TO FUND THE STATE PARK SYSTEM?

Proposition 21, which will appear on the November 2, 2010 ballot, would impose an annual \$18 vehicle surcharge to provide dedicated funding for state parks and wildlife conservation programs, and would eliminate state park entrance fees for California vehicles subject to the surcharge. Proposition 21 also would allow the Legislature to eliminate current state funding for state parks and wildlife conservation programs. This *Budget Brief* provides an overview of this measure and its potential impact on the state budget. The California Budget Project (CBP) neither supports nor opposes Proposition 21.

What Would Proposition 21 Do?

Proposition 21, the “State Parks and Wildlife Conservation Trust Fund Act,” would provide dedicated funding for state parks and wildlife protection and conservation programs. Specifically, Proposition 21 would:

- **Impose an annual \$18 surcharge on vehicles registered in California beginning on January 1, 2011 and dedicate the new revenues to state parks and wildlife conservation programs.** The new surcharge would be added to the Vehicle License Fee (VLF) and would apply to passenger and light commercial vehicles.¹ The Legislative Analyst’s Office (LAO) estimates that the new VLF surcharge would raise \$500 million per year.²
- **Eliminate state park entrance and parking fees for California vehicles subject to the new VLF surcharge.** Many parks charge day-use entrance fees – ranging from \$5 to \$15 – that cover admission and parking.³ However, Proposition 21 would not eliminate other fees, such as camping, tour and museum, boat launch, and special event parking fees.

- **Prohibit the state from borrowing the new VLF surcharge revenues.** The new revenues would be dedicated to state parks and wildlife conservation programs and could not be “loaned to the General Fund or to any other fund for any purpose.”⁴
- **Prohibit the state from using the new VLF surcharge revenues to pay debt service on voter-approved bonds.** The new revenues could not be used to reimburse the state’s General Fund for debt-service costs related to voter-approved bonds, including bonds that provide funding for state parks.⁵
- **Provide funding for administration and oversight.** Proposition 21 would allow up to 1 percent of the new revenues to be used for auditing, oversight, and administrative costs. In addition, the measure would establish a “Citizens Oversight Committee” to review audits and perform other functions.

What Would Proposition 21 Pay For?

The revenues raised by the \$18 VLF surcharge would be deposited into a new State Parks and Wildlife Conservation Trust Fund.⁶ Proposition 21 would allocate:

What Is the Vehicle License Fee?

California vehicle owners pay an annual fee based on their vehicle's market value, which is determined by adjusting the vehicle's purchase price for depreciation.⁸ The VLF rate includes a base rate of 0.65 percent and a temporary 0.5 percent rate that expires on June 30, 2011.⁹ The state Constitution requires revenues raised by the 0.65 percent rate to be distributed to cities and counties.¹⁰ Approximately one-third (0.15 percent) of the temporary 0.5 percent rate is allocated to local public safety programs, with the remainder (0.35 percent) deposited into the state's General Fund.¹¹

In 1998, the Legislature reduced the VLF, which had been 2.0 percent since 1948. Cities and counties, however, did not lose revenue because the Legislature backfilled "the reduced VLF revenues with General Fund allocations to local governments on a dollar-for-dollar basis."¹² The 1998 VLF legislation included a trigger to reduce the General Fund backfill and increase vehicle owners' VLF payments if the state lacked sufficient revenues to pay for the backfill.¹³ The VLF was increased in 2003 as a result of this trigger; however, Governor Schwarzenegger reversed the increase on his first day in office.¹⁴ In addition, the 2004-05 budget agreement replaced the state's backfill payments to cities and counties with an equivalent amount of property tax revenues shifted from schools. The state, in turn, replaced schools' forgone property tax revenues with state General Fund dollars provided under the Proposition 98 guarantee. This transaction was locked into the state Constitution by Proposition 1A of 2004, which prohibited the state from permanently shifting property taxes from local governments back to schools.

Research suggests that the VLF is a moderately regressive tax, meaning that "higher-income households pay a far smaller portion of their income in VLF than lower-income households."¹⁵ The surcharge proposed by Proposition 21 would also be regressive because all vehicle owners would pay the same flat \$18 fee – an amount that equals a larger share of the value of a lower-cost vehicle. For example, \$18 is equal to 0.36 percent of the value of a car worth \$5,000, but just 0.09 percent of a car worth \$20,000.

- 85 percent to the Department of Parks and Recreation (DPR) for operating, managing, and developing the state parks system;⁷
- 7 percent to the Department of Fish and Game (DFG) for wildlife conservation activities;
- 4 percent to the Ocean Protection Council to protect marine wildlife and coastal waters;
- 2 percent to state conservancies to preserve wildlife on state-owned lands; and
- 2 percent to the Wildlife Conservation Board for grants to local agencies for wildlife conservation.

How Are State Parks and Wildlife Conservation Currently Funded?

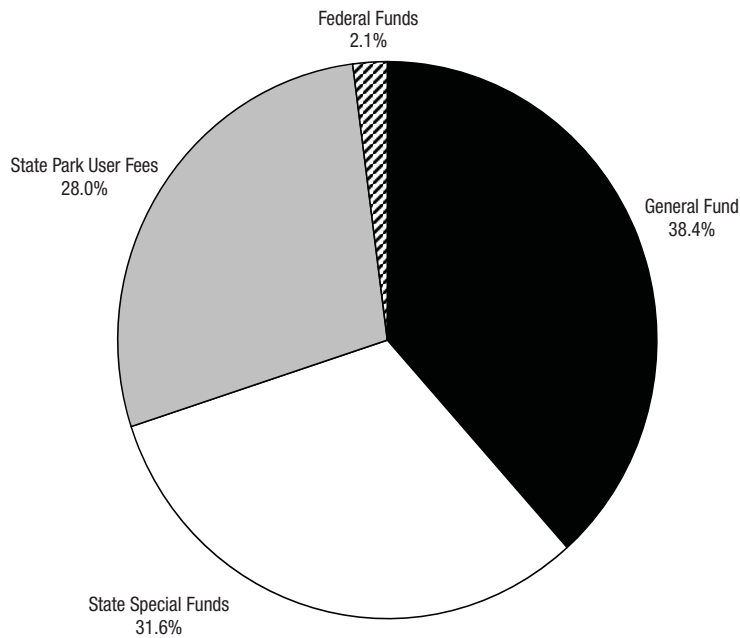
Most of the current funding for the state park system comes from the state's General Fund, state special funds, and state park user fees.¹⁶ These funds, along with federal funds, provided an estimated \$320.8 million for the DPR in 2009-10 (Figure 1).¹⁷ More than one-third (38.4 percent) of this funding came from the General Fund and more than one-quarter (28.0 percent) came from user fees. In addition, the state provides approximately \$100 million per year to other state departments, including the DFG, for wildlife conservation programs.¹⁸

What Would Proposition 21 Mean for the State Budget?

Proposition 21 would provide the Legislature with new – but limited – flexibility to help close the state's ongoing budget shortfalls. On the one hand, the measure would allow the Legislature to eliminate current state funding for state parks and wildlife conservation programs. In other words, the Legislature could replace current General Fund and special fund dollars with revenues raised by the new VLF surcharge, a practice known as "supplantation." The LAO estimates that state savings "could be as much as \$200 million annually."¹⁹ This flexibility contrasts with other ballot measures that have raised revenues for specific programs while prohibiting the Legislature from using those revenues to supplant existing state funding – instead requiring the new funds to be used for program expansion.²⁰ After accounting for both reduced state funding and the annual loss of \$50 million in state park fee revenues, the LAO estimates that Proposition 21 would provide a net funding increase for state parks and wildlife conservation programs of at least \$250 million per year.²¹

On the other hand, Proposition 21 would prohibit the Legislature from borrowing or using the VLF surcharge revenues to pay debt

Figure 1: Where Does Funding for State Parks Come From?



Estimated 2009-10 Department of Parks and Recreation Funding: \$320.8 Million

Note: Reflects funding for state operations, excluding bond fund appropriations and reimbursements.
Source: Department of Finance

service on outstanding voter-approved bonds, including park bonds. Since 1996, California voters have approved \$3.5 billion in bonds to improve state and local parks, with debt service on those bonds currently paid from the state's General Fund.²² Under Proposition 21, the Legislature could not "free up" General Fund dollars by shifting debt-service costs for previously authorized park bonds to the new VLF surcharge revenues. However, future ballot measures could ask voters to change the law to allow newly authorized park bonds to be repaid with VLF surcharge revenues.

Proponents Argue

Proponents of Proposition 21, including the California State Park Rangers Association and the National Wildlife Federation, state that "California's state parks and beaches are in peril" and that "with no reliable funding, state parks have accumulated a backlog of more than \$1 billion in maintenance and repairs." Proposition 21, they argue, will provide a "dedicated funding source ... [to] prevent the shutdown of our parks and beaches and ensure they are properly maintained and safe for public use."²³

Opponents Argue

Opponents, including the California Taxpayers' Association and the Howard Jarvis Taxpayers Association, claim that Proposition 21 is "just more 'ballot box budgeting' that makes Sacramento dysfunctional," and argue that the new VLF surcharge "will allow politicians to play a cynical budget shell game that could still leave our state parks dilapidated while diverting hundreds of millions of dollars into other government programs."²⁴ Opponents also argue that Proposition 21 favors frequent park visitors over non-visitors.²⁵

Conclusion

Proposition 21 would increase net funding for state parks and wildlife conservation programs by at least \$250 million per year through the imposition of an annual \$18 VLF surcharge. State park entrance and parking fees for California vehicles subject to the new surcharge would be eliminated, although supplementary fees would remain. In addition, the measure would reduce pressure on the state's General Fund by allowing the Legislature to replace current state support for parks and wildlife conservation programs with revenues raised by the new VLF surcharge.

Charles Alamo and Scott Graves prepared this Budget Brief. The California Budget Project (CBP) neither supports nor opposes Proposition 21. This Budget Brief is designed to help voters reach an informed decision based on the merits of the issues. The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

- ¹ The new surcharge would not apply to trailers, trailer coaches, and commercial vehicles in excess of 10,000 pounds. The Legislature sets the VLF rate, which is applied to the depreciated value of cars and trucks. The VLF rate includes a 0.65 percent base rate and a temporary rate of 0.5 percent that expires on June 30, 2011.
- ² The amount raised by the new surcharge “would grow in line with any increases in the number of annual vehicle registrations.” Legislative Analyst’s Office, “Proposition 21: Establishes \$18 Annual Vehicle License Surcharge To Help Fund State Parks and Wildlife Programs. Grants Surcharged Vehicles Free Admission to All State Parks. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 26, downloaded from <http://voterguide.sos.ca.gov/pdf/english/complete-vig.pdf> on August 12, 2010.
- ³ The measure also would eliminate entrance and parking fees for “designated state lands and wildlife areas.” For a complete list of park fees, see http://www.parks.ca.gov/?page_id=23294.
- ⁴ Similarly, Proposition 21 would prohibit the state from borrowing “state park fee and concession revenues” and would dedicate those revenues to the state park system.
- ⁵ Similarly, Proposition 21 would prohibit the state from using “state park fee and concession revenues” to pay debt service on voter-approved bonds.
- ⁶ The allocation formula described in this section reflects the distribution of funds available *after* accounting for audit, oversight, and administrative costs.
- ⁷ The DPR would use a portion of its share of funds to provide grants to local agencies that operate state parks – totaling 5 percent of the revenues raised by Proposition 21 – and to public agencies for management and restoration of urban river parkways – totaling 4 percent of the revenues raised by the measure.
- ⁸ Legislative Analyst’s Office, “The Vehicle License Fee and the 2002-03 Budget,” in *The 2002-03 Budget: Perspectives and Issues* (February 2002), p. 150. The VLF “is charged in addition to other fees, such as the vehicle registration fee, air quality fees, and commercial vehicle weight fees.”
- ⁹ The February 2009 budget agreement temporarily increased the VLF rate to 1.15 percent between May 19, 2009 and June 30, 2011.
- ¹⁰ California Constitution, Article XI, Section 15.
- ¹¹ Legislative Analyst’s Office, *The Budget Package: 2009-10 California Spending Plan* (October 2009), p. 19.
- ¹² See Department of Finance, *Governor’s Budget Summary 2010-11* (January 2010), p. 80, footnote 8 and Legislative Analyst’s Office, “The Vehicle License Fee and the 2002-03 Budget,” in *The 2002-03 Budget: Perspectives and Issues* (February 2002), p. 152.
- ¹³ Legislative Analyst’s Office, “The Vehicle License Fee and the 2002-03 Budget,” in *The 2002-03 Budget: Perspectives and Issues* (February 2002), p. 156.
- ¹⁴ Department of Finance, *Governor’s Budget Summary 2010-11* (January 2010), p. 80, footnote 8.
- ¹⁵ Jennifer Dill, Todd Goldman, and Martin Wachs, *The Incidence of the California Vehicle License Fee* (Institute of Urban and Regional Development and University of California Transportation Center, University of California, Berkeley: January 1999), p. 1.
- ¹⁶ Bond funds and reimbursements – which include a range of revenue sources, such as fees for special events on state park lands – provide additional funding for the state park system.
- ¹⁷ This funding level reflects “state operations” funding for the DPR, excluding bond funds and reimbursements.
- ¹⁸ State wildlife conservation programs are funded with state General Fund dollars, regulatory fees, and bond funds. Legislative Analyst’s Office, “Proposition 21: Establishes \$18 Annual Vehicle License Surcharge To Help Fund State Parks and Wildlife Programs. Grants Surcharged Vehicles Free Admission to All State Parks. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 24, downloaded from <http://voterguide.sos.ca.gov/pdf/english/complete-vig.pdf> on August 12, 2010.
- ¹⁹ This estimate includes both General Fund and special fund savings. Legislative Analyst’s Office, “Proposition 21: Establishes \$18 Annual Vehicle License Surcharge To Help Fund State Parks and Wildlife Programs. Grants Surcharged Vehicles Free Admission to All State Parks. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 26, downloaded from <http://voterguide.sos.ca.gov/pdf/english/complete-vig.pdf> on August 12, 2010.
- ²⁰ For example, Proposition 10 of 1998 Proposition 63 of 2004 required that the revenues raised by the measures be used to “supplement, not supplant” existing state funding levels.
- ²¹ Legislative Analyst’s Office, “Proposition 21: Establishes \$18 Annual Vehicle License Surcharge To Help Fund State Parks and Wildlife Programs. Grants Surcharged Vehicles Free Admission to All State Parks. Initiative Statute. Analysis by the Legislative Analyst,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 26, downloaded from <http://voterguide.sos.ca.gov/pdf/english/complete-vig.pdf> on August 12, 2010.
- ²² Legislative Analyst’s Office, *2009-10 Budget Analysis Series: Resources and Environmental Protection* (February 3, 2009), p. RES-11.
- ²³ “Argument in Favor of Proposition 21,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 28, downloaded from <http://www.voterguide.sos.ca.gov/> on September 16, 2010.
- ²⁴ “Argument Against Proposition 21,” in Secretary of State’s Office, *California General Election Tuesday, November 2, 2010: Official Voter Information Guide*, p. 29, downloaded from <http://www.voterguide.sos.ca.gov/> on August 16, 2010.
- ²⁵ *The Orange County Register*, “Prop. 21: Pay for Parks, but Not With Car Taxes” (September 16, 2010).