

OUTDOOR INDUSTRY ASSOCIATION

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STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

Colorado State Lottery and Great Outdoors Colorado (GOCO)

SUMMARY

Outdoor recreation funding in Colorado is financed primarily through state lottery proceeds which are split between three categories: state parks, a fund allocated to communities on a per capita basis, and a competitive grant-making program for communities and nonprofits. Total proceeds from the lottery in 2016 were $143 million and have averaged $124.7 million annually over the past 10 years.[1]

A constitutional amendment passed in 1992 has given the lottery security and some degree of predictability, but the success of the lottery-based funds may have contributed to the gradual elimination of funding for state parks from general revenue. Funding also comes from user fees, severance taxes, local bonding and sales taxes, and private donations.

This case study is part of a larger report describing how states fund outdoor recreation across the U.S. Access the full report "State Funding Mechanisms for Outdoor Recreation" here: http://oia.outdoorindustry.org/headwaters.



SNAPSHOT

Created in 1992

Annual funding amount determined by total lottery proceeds, up to an inflation-adjusted cap

Funding has averaged $125 million over the past decade

Funds open space purchases, trails, state parks, and local parks

Non-motorized planning, education, construction, and maintenance projects in state and local parks and trails are eligible

Key factors of success:

- Complementary funding mechanisms for ongoing operations and special projects
- Spurred increased local capacity for fundraising
- Wide ranging projects have served all counties
- Transparent, fair administration by independent agency
- Flexible requirements for rural or underserved places

FUNDING TYPES

The State of Colorado uses funding primarily from its lottery to fund outdoor recreation.

Lottery proceeds are distributed across three conservation and recreation beneficiaries annually:

- **Colorado Parks and Wildlife (CPW)** receives ten percent, to be used to support recreation and wildlife habitat enhancement in state parks;
- **The Conservation Trust Fund (CTF)** receives 40 percent, which is distributed to counties and municipalities according to population; and
- **Great Outdoors Colorado (GOCO)**, a state-run program, receives 50 percent of lottery proceeds, up to an inflation-adjusted cap of $64.5 million). If lottery proceeds exceed this cap, they are distributed to the Colorado Department of Education's Public School Capital Construction Assistance Fund.

In 2016, Colorado Parks and Wildlife received $14.3 million, the Conservation Trust fund received $56.9 million, GOCO received $63.7 million, and the Department of Education received $8 million.

Colorado also generates funding through user fees, severance taxes, local bonding and sales taxes, and private sources. Entrance and camping fees for state parks users make up 30 percent of state park budgets ($22.4 million in FY2014), the second largest share after lottery proceeds.

A severance tax on oil and gas revenue is used to "operate, maintain, and improve state parks in regions of the state where production activity is occurring."[2] Up to five percent of revenue from the severance tax can be used for these purposes, which amounts to approximately seven percent–$5.3 million–of the state parks' total budget in FY2014.[3]

GOCO grants are available only to non-motorized projects. Motorized recreation projects are funded largely through registration fees on boats, OHVs, and snowmobiles, which amounted to $8.8 million in FY2014-2015.[4]

Local sales taxes and bonds, specialty license plates, and private fundraising also are used to support parks and trails around the state.

While there are several funding sources in the state, the remainder of this case study focuses on lottery proceeds as the largest single source.

PROGRAM ORIGINS

In the late 1980s and early 1990s many Colorado communities were facing rapid population growth and sprawl for the first time, changing the landscape and increasing the number of people using parks and trails. In response, Governor Roy Romer and Ken Salazar,[5] the executive director of the Colorado Department of Natural Resources, created a Great Outdoors Colorado citizens' committee that included conservation, business, and political leaders. The committee recommended the state establish a trust fund to pay for sustaining the state's natural resources.

In 1992 a ballot initiative to add the Great Outdoors Colorado Amendment to the state constitution was passed by 58 percent. Prior to the constitutional amendment, lottery proceeds were supposed to go toward conservation purposes but often were reallocated to other needs. Because the amendment is in the constitution, another constitutional amendment would be required to change how these funds are allocated.

The Colorado Lottery itself will be up for reauthorization in 2024. GOCO is not up for reauthorization or review, but its future funding depends on the lottery.

FUNDING ALLOCATION AND ADMINISTRATION

Allocation of Lottery Proceeds

The three main beneficiaries of lottery proceeds play three distinct and complementary roles in outdoor recreation in the state.

The ten percent of lottery proceeds that go to Colorado Parks and Wildlife typically are used for all aspects of operation and maintenance at state parks, as well as system-wide programs such as #FreshAirFriday, when admission to all state parks was free the day after Thanksgiving in 2016.

The Conservation Trust Fund receives 40 percent of lottery proceeds. Funds are distributed to counties, municipalities, and recreation districts on a per capita basis, providing a relatively steady stream of funds that many recipients use for ongoing operation and maintenance of local recreational resources like ballfields, skate parks, and trails.

GOCO receives 50 percent of lottery proceeds and awards grants to special projects and programs to support non-motorized recreation at state parks and other public places. GOCO also has the ability to support statewide initiatives through targeted grant-making, such as efforts to connect low-income residents to parks.

Together, these three funding sources provide steady revenue for ongoing programs and maintenance, as well as opportunities to pursue bigger capital projects or short-term programs.

The following section focuses on GOCO as the largest, most flexible, and high profile funding source in the state.

GOCO in Detail

GOCO distributes grants to state and municipal parks, local governments, and nonprofits. GOCO is administered by a 17-member board, appointed by the Governor, that represents all state congressional districts, user groups, urban and rural communities, and political parties. The GOCO program is audited and adheres to public agency standards such as open records and public meetings rules.

GOCO grants can be used for a wide range of activities supporting non-motorized recreation, including construction, planning, maintenance, and education. GOCO also funds Youth Corps programming throughout the state that supports projects such as construction and maintenance of trails, fire mitigation, and invasive species removal. The board allocates grants equally to four program areas:

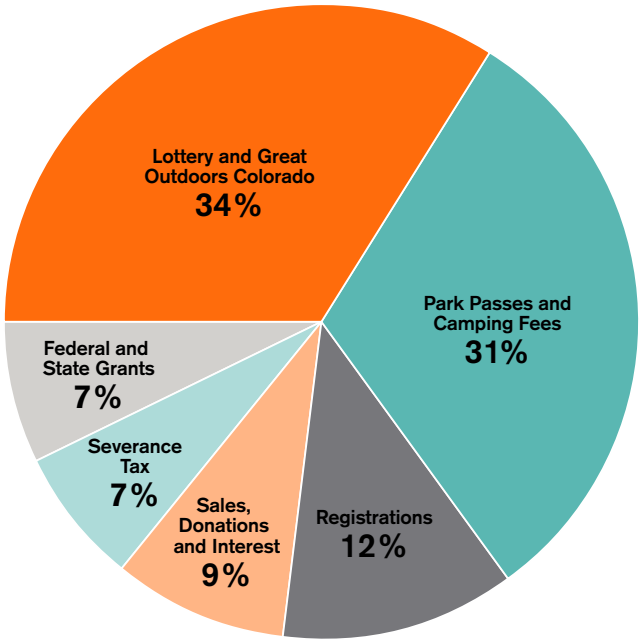
- **Wildlife:** Habitat acquisition and restoration, non-game species preservation, wildlife watching, and youth education;
- **State Parks:** Trails, facility construction and improvement, land acquisition, and youth education;
- **Open Space Protection:** Competitive grants to state and local governments and nonprofits that fund fee-title and conservation easement purchases; and
- **Open Lands and Parks:** Competitive matching grants to local governments to acquire, develop, or manage open lands and parks.

In addition to these four program areas, GOCO has solicited grant applications for several targeted initiatives such as projects aimed at reducing childhood obesity rates, connecting people to parks in their neighborhoods, and helping people overcome barriers to access to the outdoors. These initiatives were developed in response to public meetings around the state during which participants identified their greatest needs.

GOCO grants require 25 percent match for most programs, although some smaller grants have smaller match requirements. Grants are awarded on a reimbursement basis, which means the grantee must pay for project costs up front and request reimbursement afterward. Because this can be limiting for smaller applicants, GOCO provides for "progress payments" that allow reimbursement over the course of the project.

Lottery proceeds and GOCO grants make up the largest portion of state parks funding, comprising roughly one-third of Colorado State Parks' annual parks budget.[6]

Figure 5.1 – Funding sources for state parks in Colorado.



SUCCESSES

The Colorado Lottery's success in funding outdoor recreation can be measured in its longevity and the wide range of projects it has funded covering every county in the state, a mix of rural and urban communities, and a range of types of uses. GOCO has supported the construction and maintenance of 900 miles of trails, improvements at 35 playgrounds, creation or improvement of more than 1,000 parks, and the addition of more than 47,000 acres to the State Park system.

In addition to these tangible improvements in recreation infrastructure, GOCO's matching requirement has incented some applicants to increase their capacity to support outdoor recreation and conservation. For example, Larimer and Routt counties passed a county sales tax to be used to match GOCO grants. The Trust for Public Land has helped other communities evaluate the potential for local support of outdoor recreation and conservation ballot measures. These funds can be used independently of GOCO funding, but the pressure to have available money to be eligible for GOCO grants has been a catalyst to raise money locally in some communities.

In this sense, the GOCO matching requirement has resulted in the need for broad support for proposals within communities before projects can occur. Although in some places the requirement has slowed down projects while organizers build more support, ultimately many grantees find this process helpful because once funds are available, projects tend to proceed more smoothly.

CHALLENGES

The Colorado Lottery has been a successful funding mechanism for outdoor recreation in the state, but nonetheless it faces several challenges.

First, the lottery model of funding is a relatively inefficient means of raising funds. In 2016 the lottery distributed $143 million to the beneficiaries, with $594.4 million in sales. The remainder ($451.4 million) went to prizes, administration, and marketing. Due to the substantial overhead, The Lottery estimates that to increase distributions by $1 million, the lottery must increase sales by $10 million.[7]

While GOCO funding is substantial ($64.5 million in 2017), grant requests exceed available funds by a ratio of 3:1. This problem was exacerbated in 2010 when general funding for state parks was eliminated to help close the state budget gap. Prior to 2010, 30 percent of state parks' operating budget was from the general fund. Since 2010, state parks have increased the price of park entrance and camping fees.[8] The legislature cannot easily create new tax revenue streams to fund recreation because of a law in Colorado called the Taxpayer Bill of Rights (TABOR). TABOR requires voter approval for increased tax rates and requires excess revenues to be returned to voters, making it more difficult to raise tax rates and close budget shortfalls.

The GOCO constitutional amendment includes a "substitution clause" that states that the allocation of lottery funds is "not a substitute for funds otherwise appropriated from the General Assembly to the Colorado Department of Natural Resources and its divisions."[9] While this clause provides protection from egregious defunding efforts, it is difficult to prove that it has been violated.

Some have expressed concern that those who play the lottery and therefore fund GOCO are relatively poorer than the average resident who enjoys state parks, amounting to an inequitable burden of supporting state parks and recreation. The State Lottery, however, has found that its participants are representative of the average Coloradoan.

GOCO's grant application process, timing, and matching requirements are not structured to address smaller or immediate needs at state and local agencies. The Colorado Parks Foundation (CPF), which gives out approximately $80,000 per year, helps fill some of this gap for state parks. CPF is funded through a private endowment, donations, and a state parks license plate. While it provides a modest amount of funding, its timing (two grant cycles per year) and wide latitude in terms of what entities and projects it can fund helps it play a small but important role

Finally, the Colorado Lottery is not permanent and is up for reauthorization in 2024. While the program enjoys broad support, reauthorization could be more difficult if it occurs during an economically challenging time.

LESSONS LEARNED

Complementary funding mechanisms.

The Colorado Lottery's proceeds go to three primary beneficiaries that provide both sustaining, predictable funding sources and large, competitive grants for special projects.

Diversity and breadth of projects and stakeholders.

GOCO's ongoing success can be attributed to its geographically diverse projects and a board that represents a wide range of interests across the state and strives to be transparent in its decision-making. Ongoing efforts to listen to changing stakeholder interests have helped the program be responsive as communities' needs change.

Flexible matching requirements help increase local investments.

GOCO's funding requirements, while raising the initial burden for grantees applying for grants, have spurred local investment like bonding and sales taxes to serve as a match for GOCO grants. The program's flexibility in small, rural places recognizes that different communities have different capacity.

Depletion of General Fund support.

While GOCO has been a successful program, it is not immune to decreased support from the state's general fund. Despite a clause that prohibits GOCO funds from being used as a substitute for other funding sources for recreation like the general fund, in practice this substitution is difficult to avoid.

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ENDNOTES

1. Colorado Lottery FY16 Annual Review.
2. The bill authorizing this funding mechanism is SB 08-013, "Severance Tax Trust Fund Operational Account Appropriations. https://www.colorado.gov/pacific/sites/default/files/TaxandFinance2008.pdf.
3. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
4. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
5. Ken Salazar went on to become the U.S. Secretary of the Interior, and launched a nationwide program modeled after Great Outdoors Colorado.
6. http://cpw.state.co.us/Documents/Commission/2016/May/Item_20-Financial_Update.pdf.
7. Colorado Lottery FY16 Annual Review
8. http://cpw.state.co.us/Documents/Financial-Sustainability/Flyer-FundingFuture-Parks-FINAL-11-03-16.pdf.
9. http://www.goco.org/goco-constitutional-amendment.

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