

STATE FUNDING PROGRAMS FOR OUTDOOR RECREATION:

North Carolina Parks and Recreation Trust Fund

SUMMARY

North Carolina's Parks and Recreation Trust Fund (PARTF), established in 1994, is the primary means by which the state funds outdoor recreation. Originally funded through a dedicated deed tax, it is not funded through general appropriations.

Funds are distributed as matching grants to local governments for outdoor recreation infrastructure and acquisition, to state parks for land acquisition and facility construction and renovation, and to coastal communities to develop and maintain coastal access.

PARTF has funded projects in 99 of 100 counties in the state, and its matching requirements for local government grants has catalyzed substantial municipal-level fundraising.

PARTF's grant-making is tied to significant planning support for communities, helping to increase local capacity to support recreation.

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>.

FUNDING TYPES

PARTF is the primary source of funding for recreational access around the state. PARTF is one of three outdoor-related funds in the state. The other two are related to conservation of water, habitat, and wildlife, and agriculture and forestry. Where the missions for these funds overlap, some large conservation projects have used funding from all three sources.



SNAPSHOT

Created in 1994

Funding was initially from a dedicated deed tax, now through general appropriations

Total funding has averaged \$30.4 million annually

Grants are available for county and local governments for purchasing land, developing new facilities, and renovating existing facilities

Key factors of success:

- Professional support and capacity building help communities to fund successful, high priority projects
- 1:1 matching requirement, with rewards for greater local contributions, has led to significant local funds raised
- Long history and reputable projects serving 99 of 100 counties provides a range of success stories and political support

Although it is called a “trust fund,” PARTF does not use interest revenue from principal. Instead, nearly all money is spent each year and any remaining funds are used the following year.

North Carolina also uses traditional sources of funding for outdoor recreation such as bonding. For example, the state passed a \$2 billion general obligation bond measure in 2016 called Connect North Carolina. The bond is for a range of outdoor and recreation infrastructure and education projects, with \$75 million going to state parks.

The remainder of this case study focuses on PARTF and aspects that are unique to North Carolina’s program.

PROGRAM ORIGINS

In 1993, a legislative committee reviewed the state parks system and determined that the parks needed more funding to meet the demands of a growing population. That same year, with relatively short notice prior to the vote, a \$35 million bond referendum to fund state park land acquisition and facility improvements was passed.

This bond measure’s success created momentum to pass additional recreation-related funding during the following legislative session. In 1994, with support from conservation organizations like the Sierra Club and The Nature Conservancy, the North Carolina Homebuilder’s Association, the League of Municipalities, and the Association of County Commissioners, the Legislature passed [Senate Bill 733](#) establishing the Parks and Recreation Trust Fund.

The funding mechanism and authority for PARTF was established the following year with the creation of the Parks and Recreation Authority. PARTF was funded by reallocating revenue from an existing deed tax on real estate transfers. PARTF received 75 percent of the revenue and the other 25 percent went to the existing Natural Heritage Trust Fund.

While strong popular and legislative support got PARTF established, several legislators found it inappropriate to fund PARTF through a dedicated source rather than the general appropriations process. This concern grew during the recession as legislators were desperate to balance the state budget.

In 2011, the Legislature changed the PARTF funding source from the deed tax to annual appropriations from the general fund. Although the total amount of appropriations remains comparable to the amount of funding through the deed tax, this funding arrangement requires PARTF proponents to advocate for ongoing funding each legislative session.

FUNDING ALLOCATION AND ADMINISTRATION

PARTF is administered by the Parks and Recreation Authority. The Governor, president pro tem of the Senate, and the Speaker of the House each appoint three members to the nine-member board. Board member terms are three years.

PARTF is allocated across three programs: local governments (30%), state parks (65%), and coastal resources (5%).

Local Governments

Thirty percent of PARTF is used to fund a grantmaking program for local governments to create or improve parks or other recreational facilities. Local governments can apply for grants up to \$500,000 for the development or renovation of parks or acquisition of property for recreation.

Through the Local Governments program, PARTF also funds the Recreation Resources Service (RRS), a research, technical assistance, and educational program jointly run with North Carolina State University.

RRS uses roughly one to two percent of the total PARTF budget, but has been essential to the program’s successful development of recreation in communities across the state. RRS staff work with communities to identify projects, develop their grant applications, and build local capacity to support recreation. RRS staff also are responsible for evaluating projects to make sure they are completed and maintained according to the grant agreement.

Grant applications are scored by Recreation Resources Service staff using the following criteria, for a maximum of 115 possible points:

- **Public recreational facilities provided:** Points given for community’s first public park; new facilities; new trail connections between communities, schools, and existing recreation facilities (45 points)
- **Planning:** Points given for site-specific master plan; system-wide parks and recreation plan; 3-5 year capital improvement plan (20 points)
- **Public involvement:** Points given for public meetings; recreational needs survey; support from civic groups (15 points)
- **Commitment to operations and maintenance:** Points given for level of professional commitment to operation and maintenance, with the most for full-time parks and recreation department, then public works staff, then part-time or contract staff, and the least given for volunteers (full-time parks and recreation staff receive 15 points, volunteers receive 2)
- **Land acquisition:** Properties in urgent need of conservation due to development threat are weighted more heavily than unique resources not under threat (15 points)
- **Site suitability:** Points given for little adverse environmental or neighboring property owner impact; property of sufficient size to accommodate project (5 points)

Grant applications also include a one-page project justification, which provides an opportunity for applicants to describe why the project is important to their community. While the scoring criteria help provide consistency across applications, RRS staff find these one-page descriptions invaluable for determining the importance of the project to the community and whether the project has meaningful local support.

Criteria related to planning and operations and maintenance can represent a high hurdle for small communities. To overcome this obstacle, small communities often will rely on existing county-level resources, such as planning documents. This has been an effective strategy to promote better coordination between small municipalities and counties. RRS frequently plays a role in facilitating these relationships.

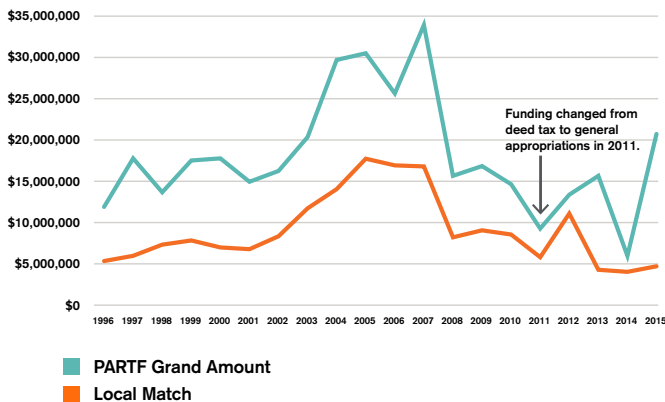
Local governments are required to demonstrate a 1:1 match for requested funds, which has led to project success in two main ways.

First, because a larger match makes an application more competitive, most communities raise a much larger match than required, averaging more than 2:1 since 1995. The match comes from a combination of donated land (the market price of donated lands qualifies toward the match), private fundraising, and local bonding or taxes.

Second, the matching requirement—together with a required commitment to operations and maintenance for 25 years—helps ensure that the projects are appropriately sized for local resources. Communities frequently opt to pursue phased projects, applying for different phases of a project in subsequent years to both build local support through small initial successes and to slowly increase their financial responsibilities for recreation projects.

Figure 7.1 illustrates PARTF funding for the Local Governments program over time, along with local match. In all years, even during the recession, the local match has far exceeded the grant amount.

Figure 7.1 – PARTF and local matching funds, 1996-2015.



PARTF reimburses communities for expenses incurred on a quarterly basis. While this requires communities to have the financial capacity to pay for project expenses, quick reimbursement helps minimize the burden. RRS staff did not see evidence that reimbursement has created an undue burden for small communities.

Once the applications are scored by RRS, they are given to the Parks and Recreation Authority, which weighs project score along with population size and geographic distribution. The Authority strives to fund projects in communities across the state and across a range of community sizes.

State Parks

Sixty-five percent of PARTF goes to state parks for park renovations, capital improvements, and land acquisition. Funds are allocated according to system-wide priorities for facility renovation and land acquisition to protect areas near existing parks. State Parks has several long-term strategic land acquisition priorities for which these funds can be used. PARTF money is in addition to annual appropriations and user fee revenues.

State Parks also have benefited from being able to combine PARTF funds with the other two state trust funds—Clean Water Management Trust Fund and Agricultural Development and Farmland Preservation Trust Fund—for strategic land acquisition near existing parks or to establish new parks.

Public Beach and Coastal Waterfront Access Program

Five percent of PARTF is used to fund the Public Beach and Coastal Waterfront Access Program. Similar to the Local Governments program, the coastal program offers matching grants to local governments in North Carolina’s coastal counties with the primary purpose of providing pedestrian access to public beaches and public trust waters. Local governments must provide at least 15 percent match, half of which can be in-kind.

SUCCESSES

The PARTF requirement of at least 1:1 matching, along with a history of local communities matching at rates greater than 1:1 to improve their application score, have provided a strong incentive for communities to generate local funding sources through local bonds or taxes or private fundraising.

PARTF’s long history and reputation for funding successful, lasting projects that bring state money to rural communities has helped to raise the profile of recreation in local governments. PARTF helps give recreation-related interests a seat at the municipal government table because recreation is recognized as a strategy to tap into state funding sources. Many rural communities otherwise may consider recreation a luxury of well-funded city governments.

Planning, both for the specific project but also broader master plans, are heavily weighted when grant applications are scored. These requirements create strong incentives for small municipalities to collaborate with the county and other nearby towns and has encouraged more people to be involved. Requiring these planning documents helps to ensure that the projects a community pursues fit into a greater vision for the town's future.

The Recreational Resource Service is instrumental in providing technical support for communities as they prioritize projects, write their grant applications, and develop their projects. Projects are completed and serve the community's needs, creating success stories across the state. Additionally, because RRS staff work across the state, they can share stories of successes and challenges other communities have faced.

CHALLENGES

PARTF funding has varied substantially, creating challenges for recreation planners at State Parks and local governments. Since PARTF began, funding has ranged from a low of \$12 million in 2013 to a high of \$57 million in 2005. The recession, and its associated impact on the value and number of real estate transactions, had a dramatic impact on the size of PARTF funds. The recession also created a fiscal crisis that led to borrowing from PARTF funds to cover other state budget shortfalls for three years.

When PARTF funding was changed to general appropriations, the change required PARTF supporters to become more politically organized advocates. While total PARTF funding has remained relatively stable since this change, lobbying during the general appropriations process has placed new demands on PARTF supporters.

LESSONS LEARNED

Successful, long-term projects have given recreation a good reputation.

Support and capacity building by RRS have resulted in many success stories across the state from the past 20 years. RRS has a reputation for being a reliable partner, and PARTF is known for being a reliable funding source (though available funds vary), leading more municipalities to include recreation in the public services they provide.

A dedicated funding source is not a magic bullet.

A dedicated funding source like a portion of the deed tax is appealing because it is protected from the politics and negotiations of general appropriations, but North Carolina's experience demonstrates that dedicated sources, too, are subject to significant fluctuations. Additionally, without protections written into the legislation, they are not immune to being borrowed from by other sources. Funding levels under the general appropriations process have not recovered to pre-recession levels, but they have remained relatively steady. While the general appropriations process requires greater involvement by proponents of PARTF, broad support from a range of constituents across the state has helped keep the program well-funded.

CONTACTS

Nate Halubka

Manager, Grants and Outreach Program
North Carolina Division of Parks and Recreation
919-707-9338

Pete Armstrong

Director, Recreation Resources
252-903-5179
pete_armstrong@ncsu.edu

Report prepared by:



Authors of report:
Kelly Pohl and
Megan Lawson, Ph.D.