

December 27, 2007

Topic #17: NOVA FUND ALLOCATION POLICIES

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Approved by the Director:

Proposed Action: Discussion

Summary

The Recreation and Conservation Funding Board (RCFB) appointed a subcommittee to look into Nonhighway and Off-Road Vehicle Activities (NOVA) Program fund allocation policies. The subcommittee identified five issues: a) the sequence of allocating gas tax and permit fee dollars to the ORV category, b) the policy for distributing funds in the “competitive” category, c) the policy for distributing unused funds from previous grant cycles, d) the policy for allocating excess funds from one or more categories in a current grant cycle, and e) the proportion of funds reserved for the second year grant cycle in the three *NOVA Recreation* categories.

Subcommittee Recommendation

The subcommittee recommends that the Board retain the current policy regarding the sequence of allocating gas tax and permit fee revenues to the ORV category. However, the subcommittee recommends that the Board consider changes to allocation policies (b), (c), (d) and (e) listed above. If the Board decides to pursue changes in any of these policies, staff will circulate a proposal for stakeholder review and comment and place it on the agenda for decision at the March 27-28, 2008, RCFB meeting.

Background

In 2001 the Legislature provided funding for the Interagency Committee for Outdoor Recreation (IAC, the precursor to the RCFB) to conduct a study to determine the amount of fuel consumed on nonhighway roads and off road attributable to different types of outdoor recreation. The study¹ demonstrated that the NOVA fuel tax allocation formula in statute did not reflect the current fuel usage by hikers, mountain bikers,

¹ *Nonhighway and Off-Road Vehicle (NOVA) Fuel Use Study*, Interagency Committee for Outdoor Recreation, February 4, 2003.

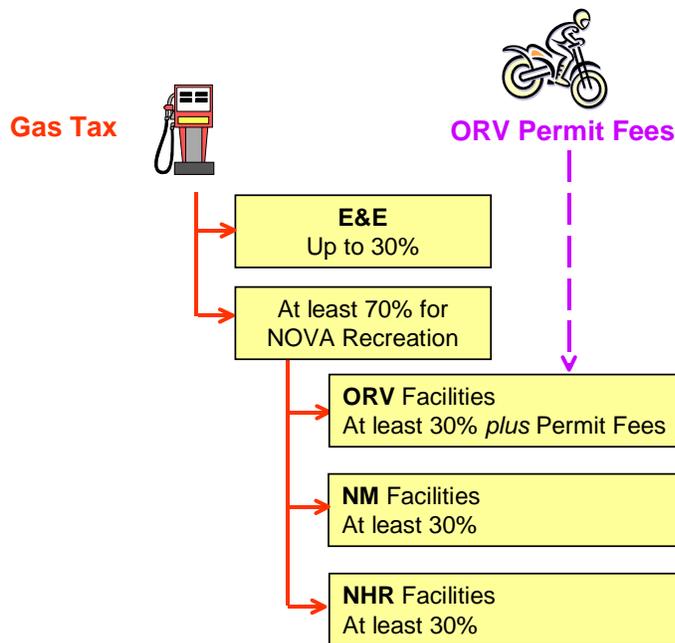
equestrians, and off-road vehicles and others consuming fuel on nonhighway roads and off-road.

As a result, the 2003 Legislature passed 2SHB1698 requiring the IAC to convene a task force composed of representatives from the various NOVA user groups, land managing agencies, and legislators to develop recommendations for revising the statutory formulas. The allocation formula and other changes in the program recommended by the task force² were adopted by the Legislature in 2004³ (Figure 1).

That same year, because the proportion of fuel tax allocated to the ORV category was to drop from 60% to as low as 21% (thirty percent of seventy percent) of the NOVA appropriation, the ORV community sponsored legislation to raise the ORV permit fee from \$5 to \$18 per year. The resulting revenues, which are dedicated to the ORV category of the NOVA program, were intended to make up for the loss of fuel tax revenue to that category.

Figure 1

Allocation of NOVA Fuel Tax and ORV Permit Fees (RCW 46.09.170)



² Report to the Legislature: Nonhighway and Off-Road Activities Program, December 31, 2003.

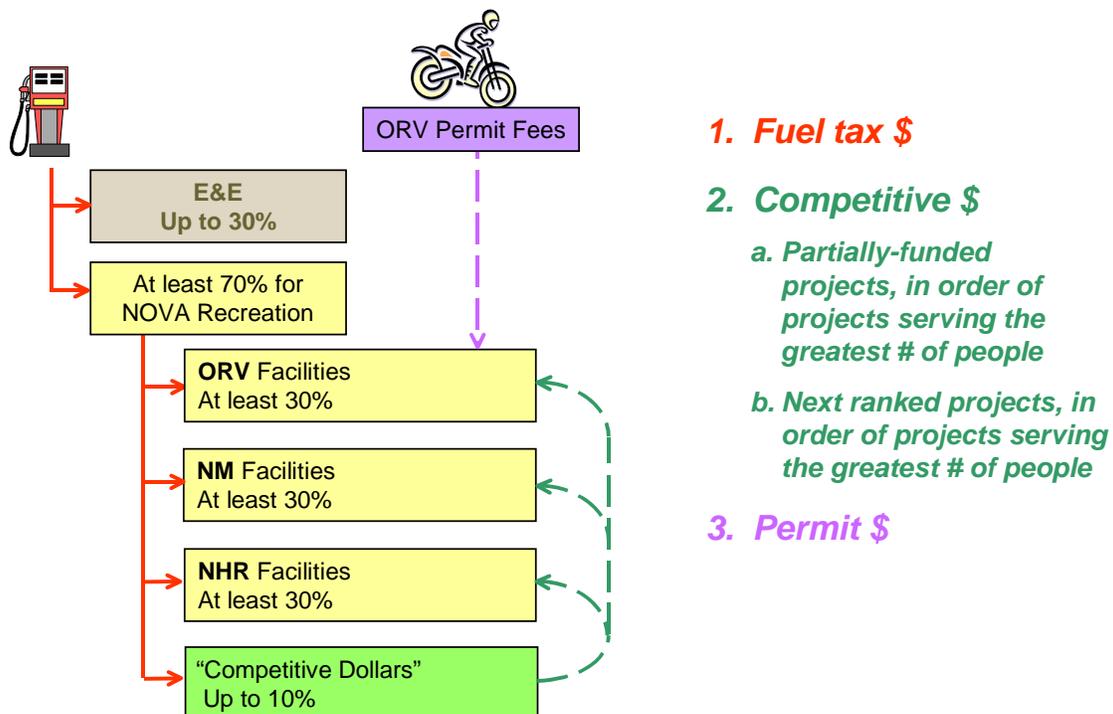
³ ESHB2489

In September of 2004, the IAC board adopted the current policies contained in NOVA Policy Manual 14. These policies address the order that fuel tax and ORV permit dollars are distributed to the three *NOVA Recreation* categories, how the remaining 10% (called by the IAC “competitive” dollars) is allocated, and how “returned” and excess (unobligated) funds are distributed.

Figure 2 shows the current allocation order. First, 30% of fuel tax dollars are awarded to the top ranked projects in the *Education and Enforcement* (E&E) category. Then 30% of the remaining 70% is distributed to top-ranked projects in each of the three *NOVA Recreation* Categories. The remaining 10% of the *NOVA Recreation* dollars are designated “competitive” funds. These are first allocated to any projects in the three *NOVA Recreation* categories that are partially funded, starting with the project that benefits the greatest number of NOVA recreationists. If funds remain, they are then applied to the highest ranked unfunded projects in the three categories, in order of those benefitting the greatest number of NOVA recreationists. Finally, the ORV permit dollars are allocated to projects in the ORV category, based on the recommendation of the ORV subcommittee of the NOVA Committee.

Figure 2

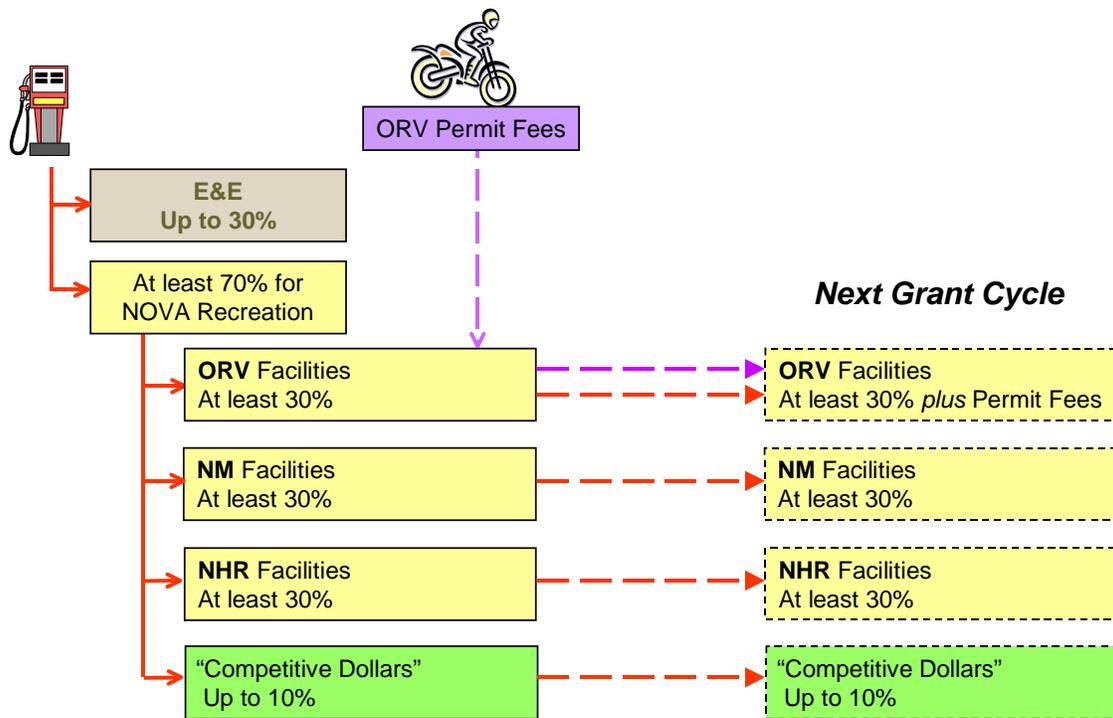
Allocation Order: Current Policy



The current policy on allocating excess and returned funds is illustrated in Figure 3. Excess (unobligated) funds are those remaining in one of the NOVA categories after all of the projects applying for grants in that category have been funded. "Returned" funds are funds that were obligated to a project in a previous grant cycle but are now not needed. This occurs when a project cannot be accomplished or is completed under-budget. Both excess and returned funds are currently carried over to the same category in the next grant cycle.

Figure 3

Allocation of Excess and Returned Funds Current Policy: Funds Carried Forward to Same Category



Analysis

(a) Co-mingling fuel tax and ORV permit fee dollars. The subcommittee recommends that the current policy of awarding fuel tax dollars to projects in the ORV category before awarding permit fees be retained. This protects the less secure fuel tax dollars and prevents permit fees from supplanting fuel tax dollars if there are insufficient projects in the ORV category to use all of the funds. For example, if there are excess funds in the ORV category, they would be permit dollars and would by law have to be retained in that category for a later grant cycle.

(b) Allocation of competitive dollars. The subcommittee recommends that the competitive dollars be allocated after rather than before awarding the permit dollars. In the event that there are not enough projects in the ORV category to use the combination of fuel tax plus permit dollars, it does not make sense to allocate additional competitive dollars to that category.

The subcommittee also recommends expanding the criteria for awarding competitive dollars. The competitive dollars would be awarded in the current sequence (top-ranked partly funded projects, then top-ranked unfunded projects). However, in addition to considering the number of NOVA recreationists served, the RCFB would consider the amount of non-state match provided by the project and the overall demand for funds in each category with unfunded projects. If there were only enough competitive funds to partly fund a project, the project would have to be viable with partial funding. If not, the funds would be moved to the next-ranked project meeting the criteria above.

(c) “Returned” funds from a previous grant cycle. The subcommittee recommends retaining the current process of applying returned funds to the next ranked viable alternate in the same category. However, if there are insufficient alternates to use all of the returned fuel tax funds, the subcommittee recommends that these be added to the competitive category in the next grant cycle. Returned permit dollars, however, would have to be carried over to the ORV category in the next grant cycle.

(d) Allocation of excess funds. If there are an insufficient number of projects to utilize all of the funds in one or more of the *NOVA Recreation* categories, the subcommittee recommends that gas tax funds not be carried forward to the next grant cycle, but rather awarded to projects in other *NOVA Recreation* categories where there are still partly-funded or unfunded projects. The RCFB would use the same criteria recommended for awarding competitive funds. If all projects in the three categories are funded, then the remaining excess funds would be carried over to the competitive category in the next grant cycle. Excess permit dollars, however, would have to be carried over to the ORV category in the next grant cycle.

(e) Distribution of funds between the first and second grant cycles of the biennium. Currently, E&E funds are awarded once a biennium. *NOVA Recreation* funds, however, are divided in two, with half awarded in the first fall RCFB meeting of the new biennium and the other half the following fall. The subcommittee recommends that the Board consider awarding 60% to 70% of the *NOVA Recreation* funds in the first year. This would increase the likelihood of projects being completed within the biennium and reduce future reappropriations and minimize the risk of NOVA fund diversion in the following biennial budget. The subcommittee also suggests that when awarding the remaining second-year funds, the Board consider giving preference to projects that are “ready to proceed.”

Next Steps

If the RCFB would like to pursue any or all of the above policy changes, staff will circulate the recommendations for stakeholder review and comment and transmit the results to the Board for action at the March 27-28, 2008, meeting.