Study #SP-R19 Fiscal Impacts

December 11, 2001

1.0 Introduction/Background

A fiscal study typically evaluates existing fiscal conditions and quantifies changes in costs and revenues for public jurisdictions (e.g., counties and cities) associated with an action that alters a jurisdiction's tax base or cost structure. This study would describe how economic activity generated by recreation use of the Lake Oroville State Recreation Area (Oroville Facilities) and affected downstream reaches of the Feather River affects fiscal conditions of local government.

No ongoing or past studies specifically focusing on the fiscal effects of recreational development, use, and operations of the Oroville Facilities have been conducted. The study results will facilitate comprehensively evaluating the socioeconomic effects of existing and projected recreation use of the Oroville Facilities and will provide a framework for developing effective recreation development strategies to potentially enhance future fiscal conditions in the region.

This study plan provides details concerning the content and scope of the fiscal study and a description of the analytical approach that will be used to conduct the study. The focus of this first phase study is on "baselining" fiscal conditions associated with recreation use of the Oroville Facilities. This baseline will allow for subsequently evaluating potential changes in recreation use under alternative recreation development and use scenarios. Elements of this study plan include a discussion of the relationship of the study plan to the relicensing project process, and the purpose and need for the study; a description of the scope of the study area; a discussion of the general approach to conducting the fiscal study and the steps required to conduct the study; a description of the study's results and products; and the study plan's implementation strategy.

2.0 Study Objectives

The objectives of the fiscal study are to estimate the effects of economic activity generated by current and projected recreation use and by the operations and maintenance of the Oroville Facilities on sales tax revenues, lodging tax revenues, and other tax revenues of local governments, and on local public service costs related to recreation activity and management at Lake Oroville. This analysis includes evaluating the effects of alternative lake levels on local revenues and public service costs. Conducting and presenting a fiscal assessment will facilitate an understanding of the effects on public fiscal conditions associated with use of recreational facilities in the Oroville Facilities.

Local fiscal effects primarily result from recreation use and operations and maintenance of Oroville Facilities. As recreation-related spending levels vary in relation to use, local tax revenues generated by retail sales, hotel and motel stays, fuel purchases, and other expenditures by visitors will also change. Similarly, changes in visitation to the Oroville Facilities may also generate increased demand for law enforcement, fire protection, and other governmental services such as roads, Butte County Sheriff, and CDF operations. The fiscal study will quantify, to the extent possible, changes in revenues and costs to the government agencies in Butte County most directly affected by changes in recreational use and operations of the Oroville Facilities.

A secondary objective of the fiscal study is to gain a better understanding of the relationship between the level of recreational use in the Oroville Facilities and resulting levels of public revenues and costs generated for local agencies. This understanding will provide a framework for eventually evaluating operating and facility development strategies for improving fiscal conditions for these agencies.

The fiscal study will focus on characterizing existing fiscal conditions, estimating current local public revenues and costs associated with recreation in the Oroville Facilities, and projecting future changes in revenues and costs resulting from changes in recreation use and spending caused by projected growth in visitation to the Oroville Facilities. Fiscal conditions and impacts will be evaluated for six jurisdictions: the Greater Oroville Area, the Cities of Paradise, Gridley, Biggs, and Chico, and the County of Butte. Conditions and effects on other jurisdictions and special districts, other than directly affected fire districts, will not be evaluated because of the probability that fiscal effects of relicensing on these agencies would be minimal. The fiscal assessment will also address I fiscal effects related to operations and maintenance of the Oroville Facilities Secondary fiscal effects, such as the indirect and induced spending resulting from recreation-related spending, will be included in the analysis to the extent that secondary spending effects from the Recreation Activity, Spending, and Associated Economic Impacts study can provide them at the community level. .

3.0 Relationship to Relicensing/ Need for the Study

This study is needed to meet FERC direction for preparing socioeconomic exhibits. Specifically, FERC guidelines indicate that a socioeconomic assessment should include a "local government fiscal impact analysis". The analysis would complement (and tier off of) results from the study of Recreation Activity, Spending, and Economic Impacts.

The purpose of the fiscal study is to determine how existing and projected recreation use and operations and maintenance of the Oroville Facilities affects the flow of costs and revenues to local agencies. Furthermore, the study's purpose is to provide a framework for developing effective strategies to potentially enhance fiscal conditions in the region. In addition to understanding the fiscal effects of recreation use and maintenance of the Oroville Facilities, the study is needed to comply with FERC guidelines for socioeconomic assessments.

To date, no information or data has been collected to characterize the fiscal effects of recreation use of the Oroville Facilities. A study by Dean Runyan Associates (2000) concerning tax revenue effects of travel expenditures on Butte County has been conducted, but this study, which estimated that travel expenditures in the county generated an estimated $3.3 million in local tax revenues in 1998, did not estimate tax revenues for specific jurisdictions and did not assess related costs on these jurisdictions. Data will need to be collected from local governments (i.e., cities, counties, and special districts) to better understand the fiscal implications of recreation activity at the Oroville Facilities. Procedures for collecting and distributing tax revenues (e.g., sales taxes, lodging taxes, and property taxes) generated by visitors to the Lake Oroville and by residents are described in Section 5.0 of this study plan. As described, local revenue agencies and public service officials would also be interviewed to identify the mechanisms used to collect and redistribute tax revenues.

The study will address Issue Statement R1—improve economic development through recreation opportunities at the Oroville Facilities. It specifically addresses the following Issues: RE 116, 133, 136, 144, and 148.

4.0 Study Area

Fiscal effects associated with recreation-generated economic activity and operations and maintenance of Oroville Facilitieswill be evaluated at the community and county level. The study area will include communities in close proximity to Lake Oroville, including Oroville, Paradise, Gridley, Biggs, Chico, and the unincorporated (countywide) area of Butte County. This study area would extend beyond the boundary of the FERC Oroville Relicensing project but would be necessary to capture the majority of the fiscal effects, which result largely from expenditures by Oroville Facilities recreationists in nearby communities.

Fiscal effects resulting from recreation-related expenditures and operations and maintenance-related spending may also be felt in other incorporated communities but these effects are probably minimal and do not warrant a rigorous assessment of public revenues and costs. Similarly, the fiscal conditions of most special districts are not affected by recreation-related use of the Oroville Facilities because they do not provide public services to Oroville Facilities visitors. The exception to this includes fire districts serving unincorporated areas within or near the Oroville Facilities that may experience increases in fire and emergency calls due to recreation activity in the Oroville Facilities. Cost effects on these districts will be evaluated as part of the study.

5.0 General Approach

The fiscal study will focus on characterizing existing and projected fiscal conditions resulting from recreation-related use and operations and maintenance of the Oroville Facilities. Fiscal conditions and impacts will be evaluated for five jurisdictions: the Greater Oroville Area, the Cities of Paradise, Gridley, Biggs, and Chico, and the County of Butte. Effects on relevant fire districts will also be evaluated. The assessment will quantify fiscal effects for two time periods: the 2002-2003 fiscal year and for a single future year that is expected to be at least 20 years into the future. Fiscal effects will be presented in constant dollars, tied to the 2002-2003 fiscal year.

The existing fiscal conditions section will describe overall current revenue and expenditure levels, by category, for each jurisdiction. The current effects of Oroville Facilities visitation and operations on jurisdictional revenues and costs will be estimated and presented.

As previously noted, this study represents the first phase of an assessment of potential fiscal effects resulting from relicensing. The primary goal for this study is to develop appropriate analytical models that can be used for assessing both existing levels of recreation use (baseline conditions) as well as for evaluating potential recreation development and enhancement scenarios. These scenarios may involve recreation facility development or resource enhancements, such as road improvements, distribution of promotional materials, and special events, that would affect recreation use.

The fiscal effects section will be divided into two categories: revenue impacts and expenditure impacts. Potential revenue impacts would primarily include growth-related changes in taxable sales caused by changes in visitor spending levels and local procurement of goods and services, and changes in transient occupancy (lodging) taxes caused by increases in visitor-related hotel and motel stays.

Expenditure impacts would primarily include costs for law enforcement, fire protection, road maintenance, and potential air quality benefits from the County's pollution credit program resulting from changes in the use of Oroville Facilities facilities. Based on estimated revenue and expenditure effects, the net fiscal effects of growth in recreational use of Oroville Facilities will be estimated for each affected jurisdiction.

The following general assumptions will be key for the fiscal study.

- Current tax rates will remain unchanged in the future.
- Fiscal conditions for agencies other than the Cities of Oroville, Paradise, Gridley, Biggs, and Chico, and the County of Butte, and fire districts within and near the Oroville Facilities are largely unaffected by recreational use of the Oroville Facilities.
- County zoning and general plan designation for properties within and near the Oroville Facilities will not change in the future.
- Data on the origin and destination of visitors to the Oroville Facilities and on visitor spending by location and type for existing and future conditions will be provided by the Recreation Activity, Spending, and Economic Impact Study.
- Ownership and management of lands by state agencies within the Oroville Facilities will remain unchanged in the future unless alternative management assumptions are provided.

Detailed Methodology and Analysis Procedures

The study plan will be implemented by undertaking the following tasks.

Task 1—Gather Data

Data needs and sources for this study will include the following.

- Current levels of local public revenues and expenditures by category.

  Budget documents for fiscal year 2001-2002 will be collected from the cities of Oroville and Paradise, the County of Butte, and affected fire districts.

- Current local tax rates (e.g., sales, transient occupancy, property).

  City finance departments and the Butte County Tax Collector's Office and Assessor's Office will be contacted to gather information on current local tax rates.

- Current and projected recreation expenditure levels by type and location.

  Recreation-related expenditure data for existing and future conditions will be collected from the Recreation Activity, Spending, and Economic Impact Study.

- Information on the budgets and local procurement of goods and services by key agencies that are involved in the operation and maintenance of the Oroville Facilities

Task 2—Conduct Interviews

Interviews will be conducted with appraisers in the Butte County Assessor's Office to gather information concerning how development of recreation facilities in the past has affected property market values in the vicinity of the Oroville Facilities. Interviews will also be conducted with personnel in the Butte County Sheriff's Office and with relevant fire districts to gather information on current and future costs associated with providing law enforcement and fire protection services to users of the Oroville Facilities.

Task 3—Prepare Fiscal Conditions Section

Budget data collected from Butte County, Oroville, Paradise, Gridley, Biggs, Chico, and affected fire districts will be used to describe the existing fiscal environment for each jurisdiction. Overall budget conditions will be described, with particular emphasis placed on identifying existing levels of revenues and costs sensitive to existing recreation use and operations of Oroville Facilities. The existing revenue and cost effects on each jurisdiction associated with the spending of visitors to the Oroville Facilities will be estimated using the methods described in the following sections. Additionally, qualitative information gathered through interviews with appraisers with the Butte County Assessor's Office will be presented concerning how the past development of recreation use and operations of the Oroville Facilities has affected property values in the local area. This information will be compared with countywide property value indices.

Task 4—Evaluate Fiscal Effects Related to Recreation Use Changes

Several methodological techniques have been used in fiscal impact studies to estimate revenues and costs associated with growth or changes in public policies. The four most commonly used techniques include the interview method, the case study method, the community service standard method, and the per capita method, as summarized below.

- **Interview Method:** This method is often used to estimate changes in costs for public service providers. It involves interviewing knowledgeable individuals within the departments of public service providers to derive their estimate of cost changes associated with serving new developments or populations. The strength of this method is that cost estimates are provided by those actually providing the services. The weakness is that costs may be over or under estimated because of the service providers lack of a full understanding of the project or because of a service providers bias for or against a certain project.

- **Case Study Method:** This method can be used to evaluate both the costs and revenues of new developments or public policy changes. In essence, this method involves establishing the relationship between cost and revenue changes and specific types of projects and policies by identifying the fiscal effects caused by similar project or policies in the past. This method can be combined with the interview method to use the knowledge of public service providers to help estimate how costs in the past have changed in response to land use or policy changes. Alternatively, annual budgets can be examined to attempt to isolate changes in costs or revenues caused by changes in population growth, land use changes, or policy changes. The strength of this method is that actual, measurable data from past experience can be used to determine the effects of proposed actions. The weaknesses of this method include the difficulty of isolating the fiscal effects of past actions from the effects of other actions, and the inability of the method to account for recent changes in cost and revenue structures.

- **Community Service Standard Method:** This method is also used primarily to estimate changes in public services costs. The community service standard method relies on set standards of service per capita, such as a set number of firemen per 1,000 people served. These are used to estimate the level and costs of services needed to serve a new development. The strength of this method is its ease and flexibility of use. Its weakness is that it is not easily applied to non-residential types of developments and does not take into account that new populations may have different characteristics and thus different needs.

- **Per Capita Multiplier Method:** This method can be used to estimate changes in both revenues and costs. The per capita multiplier method resembles the community service stand method in that it revenues and costs generated by new populations are assumed to remain the same as present per capita revenues and costs. Similar to the community service standard method, the strength of the per capita multiplier method is it ease and flexibility of use, and its weakness is limitation in not accounting for the different characteristics of new populations.

As indicated in the following sections, all four of these methods will be used where appropriate to assess the primary revenue and cost impacts of future changes in the recreation use and operations of Oroville Facilities.

Evaluate Revenue Effects – Primary revenue impacts to be addressed include effects on sales tax revenues and transient occupancy tax revenues.

- **Sales Tax Revenues**

  Under future growth conditions, changes in recreational use and operations and maintenance of the Oroville Facilities and resulting changes in spending on goods and services in the local area would affect sales tax revenues received by Butte County and affected cities. The assessment of sales tax effects will rely on estimates of visitor spending levels by location provided by the Recreation Activity, Spending, and Economic Impact Study. The spending profiles developed for this study will provide estimates of spending according to category of expenditure, which will allow for the incremental change in potentially taxable sales to be determined for a future growth scenario. The change in sales tax revenue retained by each jurisdiction will then be estimated based on prevailing sales tax rates and revenue-distribution formulas.

- **Transient Occupancy Tax Revenue**

  In the same way that changes in visitation to the Oroville Facilities could affect sales tax revenues, visitation changes could also affect transient occupancy tax revenues received by the county and cities. These changes would affect hotel and motel stays in local areas, resulting in changes in revenues generated by local transient occupancy taxes. Estimates of incremental changes in visitor spending on overnight accommodations in each jurisdiction, provided by the Recreation Activity, Spending, and Economic Impact Study, would be used together with transient occupancy tax rates to determine the incremental change in these taxes for a future growth scenario.

Evaluate Cost Effects – Primary cost impacts to be addressed include effects on law enforcement, fire protection, and road maintenance costs, including air quality effects.

Interviews will be conducted with the Butte County Sheriff's Department and affected fire districts to ascertain information affecting the incremental costs associated with future growth in use of Oroville Facilities. These interviews will focus on identifying the current percentage of each agency's budget associated with law enforcement, fire, and emergency calls related to recreational use of the Oroville Facilities. Once this relationship is determined, the incremental cost increase associated increased recreation use will be projected based on the estimated change in use.

Task 5—Create Fiscal Impact Spreadsheet Model and Estimate Impacts

Using Excel or similar spreadsheet development software, a fiscal impact spreadsheet model will be developed for each affected jurisdiction incorporating relevant tax rates and the revenue and cost relationships developed as part of Task 4. The model will be constructed so that it is sensitive to changes in input variables such as levels of visitor spending and use resulting from variations in lake levels, and recreation facility types and size. Model output will include incremental changes in revenues and costs, by category. Net fiscal effects will be characterized as the difference between incremental costs and revenues for each jurisdiction.

Task 6—Prepare Study Plan Summary Report

A report will be prepared describing the estimated current and projected future fiscal effects of use of Oroville Facilities recreation facilities, and will include an evaluation of opportunities for enhancing fiscal conditions related to relicensing.

Task 7—Revise Study Plan Summary Report and Prepare Final Report

Based on review of the draft study plan summary report, the report will be revised in response to comments and a final report will be prepared.

6.0 Results and Products/Deliverables

Results

Results of the study will be used to characterize the fiscal effects on affected fire districts, the cities of Paradise, Gridley, Biggs, Chico, and the Greater Oroville Area, and Butte County of existing and projected recreation use and operations of Oroville Facilities. Results, including estimates of revenues and costs for each jurisdiction, will be presented in year 2002 dollars, rounded to the nearest thousand. Results will be presented in both narrative and tabular form.

Based on the estimated and projected revenues and public services costs for each agency, the net fiscal effects of recreation use will be calculated and presented. Positive and negative fiscal impacts will be identified, and the severity of the impacts will be discussed in the context of the existing fiscal conditions for each agency.

The results, which will reflect the sensitivity of specific revenues and costs to specific levels of recreation use and development, will be used to evaluate possible recreation development opportunities that could enhance the fiscal conditions of affected jurisdictions. This evaluation will be qualitative, with the results described in narrative form.

Products/Deliverables

Study Plan Summary Reports

The results of the tasks performed under the study plan will be in a study plan summary report incorporating information on background fiscal conditions and existing and projected fiscal effects. The study plan summary report would be prepared between March and May 2003.

The fiscal conditions background section will summarize existing budget conditions for the agencies evaluated as part of the fiscal study. Background budget information will be presented in narrative and tabular form. The background section will also include information and data concerning how recreational development, use, and operations of the Oroville Facilities has affected the fiscal conditions of these agencies. In particular, current recreation use-related effects on public revenues and costs will be estimated and presented, and a qualitative discussion of how recreation development of the Oroville Facilities has affected market and assessed values of properties in the vicinity of the Oroville Facilities will be included. Unrealized costs and benefits from development and operation of the Oroville Facilities will not be addressed in the report.

The fiscal effects section will present the analysis of a future growth scenario, and will include the revenue-enhancement evaluation. Generally, the study plan summary report will include the following:

- Introduction and technical scope of the study;
- Description of the geographic study area;
- Explanation of key assumptions;
- Description of data sources, including historical information;
- Description of analytical methods, including analysis of historical data;
- Detailed presentation of study results (narrative, tables, graphs, charts);
- Identification of any complications/data concerns;
- Conclusions of fiscal analysis;
- Evaluation and discussion of potential revenue-enhancement options; and
- Identification of further research needs.

Resource Database

A fiscal impact spreadsheet model will be developed as part of the fiscal study. This model will be available for future evaluation of relicensing operating and facility development scenarios. The model, however, may need updating to reflect current fiscal conditions should this analysis lag the original creation of the model by more than a few years. This may require that the model be updated prior to evaluation of operating and facility development scenarios.

7.0 Coordination and Implementation Strategy

Coordination with Other Resource Areas/Studies

This study will require close coordination with the Recreation Activity, Spending, and Economic Impact Study. In addition, it may require coordinating with the following recreation studies: Study #9—Existing Recreation Use, Study #12—Projected Recreation Use, and Study #14—Regional Recreation Assessment.

Issues, Concerns, Comments Tracking and/or/Regulatory Compliance Requirements

The results of the study will address Issue Statement R1—improve economic development through recreation opportunities at the Oroville Facilities. It specifically addresses the following Issues: RE 116, 133, 136, 144, and 148.

8.0 Study Schedule

Data collection: May 2002 through April 2003
Draft Interim Report due: November 2002
Data analysis and report writing: May 2003 through September 2003
Draft Final Report due: October 2003

9.0 References

Dean Runyan Associates. 2000. Travel Impacts by County, 1992-1998. Prepared for the California Division of Tourism, Sacramento, CA. Sacramento, CA: Dean Runyan Associates.

Attachment A
Existing Information

1. NPS and USFS studies of economic benefits to local communities from park and recreation spending (identified by Dangermond Group)
2. Historic and current sales tax revenues, lodging tax revenues, property tax revenues, and business tax revenues for Butte County
3. The Impact on Local Economies of Spending by Visitors to California State Parks (California State Parks)
4. Financial Feasibility and Regional Economic Benefits of Recreation at the Domenigoni Valley Reservoir (Foster Associates, with ERA and Dangermond Group)
5. Travel spending data (California Division of Tourism)
6. Socioeconomic Impacts of Redman (Operation Bass) Tournaments
7. U.S. Census demographic and economic activity data
8. Taxable sales by county and city (California Board of Equalization)
9. County business patterns data
10. Hunting and fishing revenues (California Fish and Game)
11. Property value assessment data (Butte County Tax Assessor's Office)