

A Public Policy Report published by National Trust Forum, a program of the Center for Preservation Leadership

Innovative Ways to Generate State Funding for Historic Preservation

by Ali Barrioneuvo

State government programs for funding historic preservation range widely and have varying degrees of success. Legislative appropriations for specific projects or funds—the most common form of state funding—have been an effective way to provide state matches to federal Historic Preservation Fund dollars or grants to maintain and interpret state-owned historic sites. Allocation of these funds, however, can be at the mercy of political or budget fluctuations from year to year, and they require an ongoing advocacy effort to protect them. Stable funding sources insulated from fluctuations in the economy are preferable, and diversification of funding sources is perhaps the most important strategy to mitigate the unreliable nature of yearly appropriations.

When preservationists consider nontraditional forms of funding for preservation activity, the creativity of advocates and their ability to obtain legislative support are the only limitations. This digest reviews several innovative and successful state preservation funding programs.

Transfer or Filing Fees and Taxes

Some states have created an additional tax on real estate transfers or other special filing fees to fund preservation activities. Attractive because they guarantee a strong, steady stream of income, these fees are typically seen as a “cost of doing business” and can be attached to any transaction between the citizen and the state. Such fees are usually very small and have minimal impact on the citizen paying the fee, and yet the volume of business garners a significant return in the aggregate.

In Arkansas the law mandates a \$3.30 tax on every thousand dollars when the amount of a real property conveyance exceeds \$100 (AR Stat. § 26-60-105). Of the \$3.30, counties receive \$1.10. Of the remaining \$2.20, 10 percent goes to Parks and Tourism for Outdoor Recreation Grants, 10 percent to the Department of Arkansas Heritage for the Arkansas Historic Preservation Program and Main Street Arkansas, and 80 percent to the Arkansas Natural and Cultural Resources Council (AR Stat. § 15-12-103). The Arkansas Natural and Cultural Resources Council funds grants for the acquisition, management, and stewardship of state-owned lands, or for the preservation of state-owned historic sites, buildings, structures, or objects that the council determines to be of statewide value for recreation or conservation purposes. These properties are to be used, preserved, and conserved for the benefit of present and future generations.

In accordance with Kansas Stat. § 79-3107b, 1 cent of every 26 cents collected by county treasurers for mortgage registration fees is dedicated to the Heritage Trust Fund. While the fund contribution per year is capped at \$90,000 per project, both grants and loans are authorized by the law (KS Stat. § 75-2729). Since 1990, when the fund was estab-



In Connecticut, \$26 of the \$30 real estate recording fee goes into a statewide account used to promote historic preservation, encourage affordable housing, protect the state's environment, and preserve agricultural land. Shown here is Rosedale Farm in Simsbury. Photo by Rich Wagner - Imagine It Framed.

lished, nearly \$10 million has been awarded to projects around the state.

Montana makes grants to cultural and aesthetic projects from interest earned in the investment of coal tax revenues in the Cultural Trust Fund. According to MT Stat. § 15-35-108, .63 percent of coal severance taxes are deposited into the Cultural Trust Fund. Currently about \$8 million in funds for historic preservation activities are available in the categories of operations, capital, special projects, and endowment development.

The Vermont Housing and Conservation Board, authorized by the Vermont Housing and Conservation Trust Fund Act (10 VSA § 301 et seq.), has the dual purposes of supporting affordable housing and protecting Vermont's agricultural land, historic properties, important natural areas, and recreational lands. Since the law was enacted in 1987, a substantial portion of the investment in affordable housing has been focused on historic buildings located in downtowns and village centers. The Board is funded through a dedicated portion of the Property Transfer Tax (50 percent of tax revenue; see 32 VSA § 9602) and Capital Bond funds, along with General Fund surpluses.

Pennsylvania's Keystone Historic Preservation Grant Program receives funding from the Commonwealth's Keystone Recreation, Park and Conservation Fund. This fund was established by the Pennsylvania General Assembly in 1993 using revenue from the voter-approved sale of bonds and from a portion of the state realty transfer tax. Bond funds were utilized during the first three years of the program. Currently

the grant program is supported annually with realty transfer tax revenue. The Pennsylvania Historical and Museum Commission also uses a portion of the realty transfer tax revenue to rehabilitate and maintain Commonwealth-owned historic sites and museums.

A Coalition Success Story

In 2005 Connecticut passed Public Act 228, an Act Concerning Farmland Preservation, Land Protection, Affordable Housing and Historic Preservation. The recording fee statute provides for a \$30 fee to be levied for the recording of a document in the land records. The clerk retains \$1, and \$3 is considered general revenue of the recording municipality to be used for local capital improvements. The remaining \$26 is submitted to the state for deposit into the land protection, affordable housing, and historic preservation account (CT Stat. § 7-35a(e)). This real estate recording fee is distributed equally among the state's Commission on Culture and Tourism (which includes historic preservation), Housing Finance Authority, Department of Environmental Protection, and Department of Agriculture. The proceeds promote historic preservation, encourage low-income housing, protect the state's environment, and preserve agricultural lands. Of the \$23,400,000 projected to be generated annually, \$200,000 is earmarked to supplement the technical assistance and preservation activities of the statewide preservation organization, the Connecticut Trust for Historic Preservation.

Lottery Proceeds

Lottery funds can be dedicated to preservation purposes by statute, or appropriations can be made from the lottery proceeds fund where authorized by law. The use of lottery proceeds usually guarantees a reliable stream of revenue. However, preservationists seeking to use lottery funds should consider that existing recipients of such funds may challenge any new use of proceeds that would result in reduction of preexisting allocations. Preservationists should also consider the ethical objections to lotteries, particularly where no lottery is already in existence.

In 1990 a voter initiative created the Arizona Heritage Fund, in which state-allocated lottery proceeds up to \$20 million annually are divided among a wide variety of departments via a statutory scheme. Each year the Arizona State Parks Department receives up to \$10 million, 17 percent or \$1.7 million of which is distributed through a historic preservation competitive grant program to local, regional, and statewide projects. (AZ Stat. §5-522)

Oregon voters passed Measure 66 in 1998. This constitutional amendment dedicates 15 percent of Oregon lottery funds to state parks, beaches, and habitat and watershed protection. Included within these programs is funding for historic preservation. For example, the Preserving Oregon Grant Program is supported by \$250,000 per biennium to the state historic preservation office (SHPO) at the Oregon Parks and Recreation Department. These funds are used for rehabilitation work that supports the preservation of historic resources listed in the National Register of Historic Places.

Gaming Tax Revenues

In states with legalized gaming, an allocated percentage of revenues to historic preservation can provide a steady stream of income. For example, the South Dakota Gaming Commission Fund receives the proceeds from the gaming tax, license stamp fees, license fees, application fees, and the net proceeds generated by the operation of the five-cent slot machines (SD Stat. § 42-7B-48). A portion of these monies is transferred to the state historical preservation loan and grant fund created in § 1-19A-13.1 and is also disbursed "at least quarterly to the City of Deadwood for deposit in the historic restoration and preservation fund."

The Colorado State Historical Fund receives 28 percent of the gaming tax revenues for use throughout the state. Of the money disbursed, 20 percent is returned to the gaming towns for historic preservation purposes, with 80 percent directed to the statewide grants program and to fund the operations of the Colorado Historical Society (CO Stat. § 12-47.1-1201). Approximately \$15 million is available for distribution annually, and funds are disbursed through a competitive process. The law provides that the State Historical Fund is authorized to make grants to governmental entities and nonprofit organizations. Properties owned by the private sector may also benefit from grants so long as the grant request is made by a governmental entity or nonprofit organization. The State Historical Fund also provides support for a separate loan fund through the Colorado Historical Foundation. As of July 2006 the State Historical Fund had awarded nearly 3,000 grants totaling more than \$175 million.

License Plate Fees

The use of special license plate fees to fund specific programs is a popular method of supporting historic preservation. Like the use of transfer taxes or fees, license plate fees are attractive because they can guarantee income; state investment costs are minimal since they are limited to creating and advertising the availability of the plate; and as an "opt-in" program, only citizens who wish to support the program pay a fee. The fee can be as small or as large as desired with 100 percent of the revenue over and above the standard license fee going to the specified purposes. Additionally, these plates provide a type of free advertising. Even though these programs can be very lucrative, they can also be a victim of their own success. Due to their popularity and subsequent proliferation, some states such as Michigan have limited the creation of new specialty licenses.

In Idaho, funds generated by the Centennial license plate support preservation in the state. The plate fee is paid every time a resident purchases new license plates and amounts to \$1 per licensed vehicle. These funds are kept in perpetuity in an endowment fund which now exceeds \$5 million. The interest on the endowment is primarily used for bricks-and-mortar projects. Since the Idaho centennial in 1990, the fund has provided more than \$3 million in grants and for technical assistance in every county in Idaho.

Since 2001 Michigan's Lighthouse Assistance Program (instituted in 1999) in the state historic preservation office has been supported by the sale of dedicated license plates. Twenty-five dollars from the sale of each plate and 10 dollars from each annual tag renewal goes into the fund. (MI Stat. § 257.811k) The state legislature initially appropriated seed money to start the grant program. Annual grants from this fund range from \$66,000 to \$233,000.



In 2005 the Georgia General Assembly authorized a new specialty license plate featuring historic preservation. More than \$20 of the \$25 plate fee goes directly to the Georgia Heritage Grant

Program which funds historic preservation projects around the state. The program offers matching funds on a competitive basis to approximately 20 projects each year. In fiscal year 2007 the program will fund 10 grants totaling \$102,353.

In the Granite State, a \$30 fee is charged for conservation license plates. This revenue supplements existing efforts to preserve New Hampshire resources, from scenic lands and wildlife to historic sites. Funds are shared among the Department of Transportation, Department of Cultural Resources, Department of Fish and Game, Department of Resources and Economic Development, State Conservation Committee, and Land and Community Heritage Investment Program. Grants are available to state and county agencies, towns and cities, and nonprofit organizations that operate or manage publicly owned and accessible historic properties and historic or archeological artifacts.

Allocation of Interest from State Funds to Preservation Activities

Since states have a multitude of interest-bearing funds on their ledgers, interest accruals can provide a steady stream of revenue to preservation activities. One example of such an allocation is the Mississippi Landmark Grant Program. Created in 1999, the program provides that the interest earned on \$10 million of the balance of the Abandoned Property Fund in the state treasury be earmarked for the grant program. Grants from this program became available in 2003 and an estimated \$500,000 is available annually. Mississippi Landmark designation is a prerequisite for funding eligibility. Entities and indi-

Best Practices: Working With Legislative Coalitions

In addition to pursuing funding in their own interest, preservationists have allied themselves with other like-minded organizations to form an umbrella coalition of interests—for example open land, conservation, and environmental protection—to bring more players and thus more power to the legislative table. These combinations can command more attention, enlarge the amount of the request, and may be more palatable to both legislators and the public. Preservation programs in Connecticut, Oregon, and Arizona were successful in part due to participation within a broader coalition. However, these coalitions can also endanger support for the legislation, and, if a line item veto is available, support for the entire proposed legislation will require extra care. Development of regulations governing the distribution of the proceeds also becomes more complicated as the number of recipients increases.

viduals may contribute to the fund and can earmark those contributions for specific Mississippi Landmark projects in their communities.

Preservation advocates throughout the country should continue to follow developments in other states to come up with ideas for new funding programs, and to confer with colleagues who can help them craft and promote the needed legislation.

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State	Program or Funding Mechanism	Contact Information
Arizona	Arizona lottery proceeds	State Historic Preservation Office Arizona State Parks 1300 W. Washington Phoenix, AZ 85007 (602) 542-4009 www.pr.state.az.us/partnerships/shpo/shpo.html
Arkansas	Arkansas Natural and Cultural Resources Council	Randy Dennis, Coordinator ANCRC (501) 324-9158 www.arkansasheritage.com
Colorado	State Historical Fund	Colorado Historical Society State Historical Fund 225 E. 16th Avenue, Suite 950 Denver, CO 80203 (303) 866-2825, (303) 866-2041 (fax) shf@chs.state.co.us
Connecticut	Community Investment Act	Connecticut Commission on Culture & Tourism One Financial Plaza 755 Main Street Hartford, CT 06103 (860) 566-3005 www.cultureandtourism.org

State	Program or Funding Mechanism	Contact Information
Georgia	Georgia Heritage Grant Program	Historic Preservation Division Department of Natural Resources 34 Peachtree Street, NW, Suite 1600 Atlanta, GA 30303 (404) 656-2840 http://hpd.dnr.state.ga.us/content/displaycontent.asp?txtDocument=38
Idaho	Idaho Heritage Trust	The Idaho Heritage Trust P. O. Box 830 Weiser, ID 83672 (208) 549-1778, (208) 720-6571 www.idahoheritage.org
Kansas	Heritage Trust Fund	Heritage Trust Fund (785) 272-8681 x240 cultural_resources@kshs.org www.kshs.org
Michigan	Michigan Lighthouse Assistance Program	State Historic Preservation Office Michigan Historical Center P. O. Box 30740 702 W. Kalamazoo St. Lansing, MI 48909-8240 (517) 373-1630
Mississippi	Mississippi Landmark Grant Program	Mississippi Department of Archives and History Historic Preservation P. O. Box 571 Jackson, MS 39205-0571 (601) 576-6940, (601) 576-6955 msshpo@mdah.state.ms.us www.mdah.state.ms.us/hpres/landmark.html
Montana	Cultural Trust Fund	Arlynn (Arni) Fishbaugh, Executive Director Montana Arts Council (406) 444-6546 afishbaugh@mt.gov http://art.mt.gov/orgs/orgs_ca.asp
New Hampshire	Conservation license plates	www.mooseplate.com
Oregon	Preserving Oregon Grant Program	Kimberly Dunn, Grants Coordinator (503) 986-0670, (503) 986-0793 (fax) kimberly.dunn@state.or.us www.oregon.gov/OPRD/HCD/grants.shtml
Pennsylvania	Keystone Historic Preservation Grant Program	Pennsylvania Historical and Museum Commission 300 North Street Harrisburg, PA 17120 (717) 787-3362 www.artsnet.org/phmc/
South Dakota	South Dakota Gaming Commission Fund	City of Deadwood, South Dakota Neighborhood Housing Services (605) 578-1401 www.cityofdeadwood.com/
Vermont	Vermont Housing and Conservation Board	VHCB 149 State Street Montpelier, VT 05602 (802) 828-3250 info@vhcb.org www.vhcb.org