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Funding and Management Strategies For the California State Park System

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Committee on Water, Parks, and Wildlife
Hon. Jared Huffman, Chair





Overview of Presentation

- The Scope and Operations of the California State Park System**
- How Has the State Park System Been Funded?**
- Evidence and Impact of the Challenges Faced by State Parks**
- Options and Strategies to Address the Challenges**



The Scope and Operations of the California State Park System

- Scope of the State Park System.** California has 278 state parks on over 1.3 million acres. State parks vary widely in size and function, from state beaches to off-highway vehicle parks, museums, historical and memorial sites, forests, grass fields, rivers and lakes, and rare ecological reserves. Over 70 million people currently visit state parks per year. The state park system is also a popular destination for school field trips, particularly trips to historic sites or parks with unique ecosystems such as tidepools.
- What Is Involved in Operating a State Park?** The operation of a state park typically requires many of the same services as a small city, including the provision of such services as electricity, water, garbage disposal and sewage treatment. A park has buildings, roads, and trails that need to be well-maintained and patrolled by peace officers for safety. State parks additionally involve the maintenance of natural, historical and cultural artifacts and resources that deteriorate from visitor use and environmental factors.
- Who Is Involved in Operating a State Park?** The operation of a state park largely involves state employees, but can also involve—through contractual agreements—concessionaires, local governments, and non-profit organizations:

 - **Role of State Employees.** Employees of the state Department of Parks and Recreation (DPR) are responsible for all administrative duties and run the day-to-day operations of state parks.
 - **Role of Concessionaires.** Current law allows DPR to enter into contracts with concessionaires—persons, corporations, partnerships, and associations—for visitor services that DPR does not provide. These include services such as food, recreation gear rentals, retail, golf courses, marinas, tours, and lodging. There are about 200 concessions statewide and the state receives about \$12 million in rent each year from concession agreements.



The Scope and Operations of the California State Park System

(Continued)

- ***Operating Agreements With Local Government and Non-Profit Organizations.*** The DPR has partial or full operating contracts with outside organizations for 51 state parks. All but two of these operating agreements are with local public agencies. (Current law provides a blanket authorization for this type of operating arrangement, at the discretion of DPR.) The other two parks are operated by non-profit organizations, under special statutory provisions that permit an operating agreement between DPR and a qualified non-profit organization for the operation of these specific parks.



How Is the State Park System Funded?

- ☑ **Funding for Operations.** The *operations* of the state park system are funded primarily by park user fees and the General Fund. (Capital expenditures—for land acquisition and infrastructure—are funded largely by general obligation bond funds.) This dual funding mechanism for state park operations is in recognition of the two groups of Californians served by the state park system: (1) current park visitors who come for recreational and educational use of state parks and (2) current and future generations of Californians who benefit from the ongoing preservation of historical artifacts and natural resources.
- ☑ **Park Fees.** User fees are collected by many state parks to partially support the costs incurred by the operation and maintenance of parks for visitor use.
- ☑ **Type of Fees Vary by Park.** At most parks, fees are imposed as a parking charge on vehicles entering the park. Some parks, such as State Historic Parks, charge an individual entrance fee or a fee for tours. The department also charges fees for the use of overnight campsites.
- ☑ **Fee Levels Also Vary by Park.** The department varies its fees by park location, demand for visitation, the level of service provided, and the time of year. Generally, park superintendents have the flexibility to change fee levels to match demand. In addition, many parks charge no entrance fees.

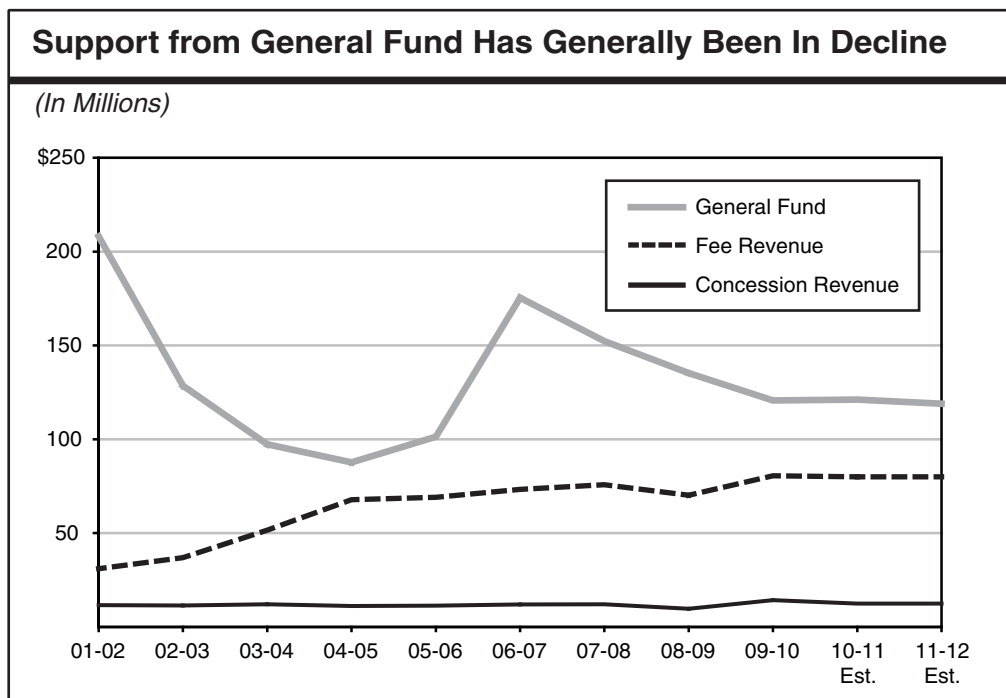


How Is the State Park System Funded?

(Continued)



Declining Role of the General Fund. As shown in the figure below, financial support from the General Fund for the department’s operations has generally been in decline over the past decade. Support from the General Fund has dropped from a peak of \$208 million in 2002-03 to \$118 million in 2011-12. A further \$11 million reduction is budgeted to occur in 2012-13 (beyond an \$11 million reduction in the 2011-12 budget bill adopted by the Legislature), creating a combined ongoing reduction of \$22 million. The proportion of DPR’s operational support from the General Fund also declined from 44 percent to roughly 29 percent over this period.





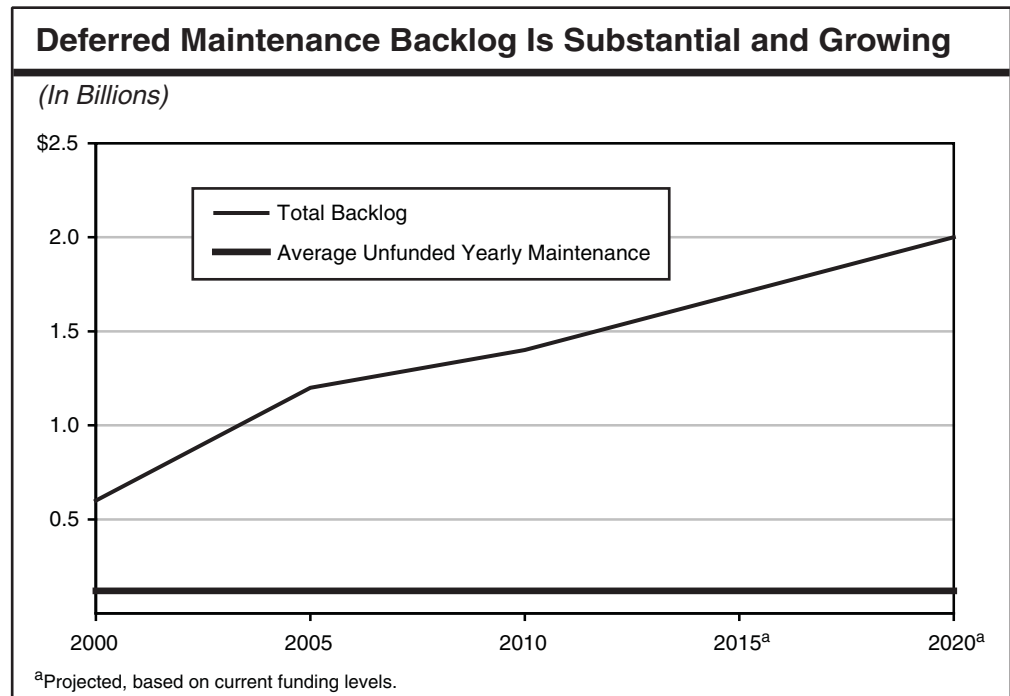
Evidence and Impact of the Challenges Faced by State Parks



Underfunding of Park Maintenance, Leading to Substantial Deferred Maintenance.

The DPR has reported persistent underfunding of park maintenance over many years by an estimated \$120 million annually. Maintenance projects have not only accumulated over time, but the department's costs to make necessary repairs have also escalated. Small repair projects, such as repairing broken or clogged gutters, if left untended over time, can lead to major repair projects, such as repairing a leaky or rotten roof.

As shown in the figure below, the current backlog of deferred maintenance projects is estimated to cost \$1.3 billion to address. At current funding levels, the backlog could reach \$2 billion by 2020. The department does not have a dedicated source of ongoing funding for deferred maintenance. To the extent that general obligation bonds have been available for the state parks system, these generally have been for acquisition, expansion, and development of the system, rather than for repairs. In any event, of the prior resources-related general obligation bonds passed by the voters, almost all of the funding for state parks has been exhausted.





Evidence and Impact of the Challenges Faced by State Parks *(Continued)*

- Enforcement Resources Stretched Thin.*** The DPR reports that its staffing levels have dropped even as park acreage has grown. One impact has been that park rangers are covering an increasingly broader territory, stretching the department's enforcement resources more thinly.

- Fewer Services for Visitors.*** Due to the backlog of maintenance projects, park buildings such as restrooms and camp showers have been closed to the public. Parts of historic buildings are no longer available to the public due to safety concerns. Volunteers have increasingly replaced more knowledgeable staff and rangers for visitor information services and campground hosts.

- Park Access Has Become More Limited.*** To compensate for decreased maintenance, staff, and overall operational funding, many parks are open fewer hours per day or fewer days per week. Some formerly year-round parks have become seasonal. The DPR reports the projected closure next year of at least one park due to its broken sewer system. Absent corrective action, additional parks are likely to close due to maintenance problems in the future.

- Proposed Park Closures.*** To implement the aforementioned recently budgeted \$22 million ongoing General Fund reduction, DPR anticipates the closure of up to 70 state parks by July 2012.



Options and Strategies to Address the Challenges

I. Change Operations Model to Reduce Costs

- Consider Increased Private/Non-Profit Sector Involvement in Park Operations.*** The DPR currently contracts with non-profit and for-profit entities for concessions and a limited set of maintenance activities such as pest control. The department is statutorily authorized to contract with a non-profit entity for the full operation of only two specific state parks. Other park jurisdictions across the nation involve the private and non-profit sectors more significantly in park operations, such as for daily maintenance activities and operation of campgrounds and day use facilities. Non-profit or for-profit private park operators may be able to create additional efficiencies in park operation. These efficiencies, along with the potentially lower labor costs of these sectors, could result in lower overall costs for state park operations.
- Advantages of This Approach.*** Some potential advantages include:

 - Lower labor costs.
 - Assistance with cash flow.
 - Increased flexibility and staffing options.
 - Keeping otherwise closed parks open and staffed.
- Limitations of This Approach.*** Some potential limitations include:

 - Operational costs incurred by private sector may still need to be subsidized by the state.
 - Increased contract management costs.
 - The number of non-profit organizations that are currently capable of assuming park operations.



Options and Strategies to Address the Challenges *(Continued)*

- Deferred maintenance makes state park operation costly to potential contractors.



Statutory Changes Would Be Required and Constitutional Limitations Respected. A statutory change would be required to give the department a blanket authority to contract with the private and/or non-profit sectors for state park operations. In addition, such statutory changes would have to respect constitutional restrictions on contracting out for services that would otherwise be performed by displaced state employees. Statute could authorize the use of parks currently slated for closure for a pilot study to test the use of contracting with the private sector and/or non-profit entities for state park operations. In this regard, Assembly Bill 42 (Huffman) has been introduced this session to allow non-profit organizations to operate potentially closed parks on a short-term basis.



Options and Strategies to Address the Challenges *(Continued)*

II. Increase Revenues From Operations

- Increase User Fee Revenues.*** As mentioned previously, a large portion of revenue for state park operations comes from fee revenues from park visitors. Currently, with the exception of state museums and a few parks, most fee revenues come from fees for parking or overnight use of campgrounds. There are therefore two main opportunities to increase revenues from user fees: (1) charge a larger portion of visitors for park use by switching from parking fees to entrance fees in most parks or (2) raise the level of current parking and use fees.

There are potential advantages and limitations of this approach. Given that current park fees are relatively low compared to other recreation options, there is probably some room to increase fees without significantly impacting access to parks. Increased fee-based support for the department would be consistent with the application of the “beneficiary pays” funding principle. On the other hand, excessive fee increases could adversely impact visitor access and reduce revenues as visitors are driven away. State parks also face price competition from local parks. Accordingly, user fees likely cannot serve as the sole source of support for park operations. Fee collection also comes with an administrative cost.

- Reevaluate and Renegotiate Concession Contracts.*** Although concessionaires benefit the state both by paying rent and providing services that DPR does not, it is possible that, in some cases, concessionaires are earning a significant amount of profit that is not being reasonably shared with the state. As a means to potentially increase revenues, the department could reevaluate its concession contracts and renegotiate as necessary to ensure that the rent payments to the state are reasonable.



Options and Strategies to Address the Challenges *(Continued)*

- ☑ ***Expand Concession Opportunities.*** There may be untapped opportunities for concessionaires to expand their services and, in so doing, provide more services for visitors and increased revenue to the state. Some of these opportunities may require either state investments or changes to statute or department regulations pertaining to cultural and historic preservation. For example, old or historic infrastructure could become concessionaire-run hotels or lodging within the state park system.



Options and Strategies to Address the Challenges (Continued)

III. Enact New Revenue Sources Dedicated to Support Park Operations

- Dedicated Revenues from Taxes and Fees.*** Several states have dedicated tax revenues from the sale of sports and recreational equipment to their state park systems and other natural resource programs. Other states have variations of a vehicle license-related fee that funds state parks, sometimes allowing drivers to opt-in or opt-out of paying the fee. Proposition 21 on the November 2010 ballot would have enacted a vehicle license surcharge to help support state parks (granting fee payers day use at state parks in return), but it was defeated by the voters.

- Advantages of This Approach.*** Advantages include:
 - Potential to create a fairly stable source of revenue.
 - Potential for nexus between the fee/tax and park use.
 - Potential to create General Fund savings.

- Limitations of This Approach.*** Limitations include:
 - Ties up “General Fund fungible” monies to particular purposes, thereby limiting the flexibility of the Legislature going forward to fund its priorities of the day.
 - May make more sense to increase revenues from user fees that relate more directly to park use.



Options and Strategies to Address the Challenges *(Continued)*

IV. "Right Size" the Scope and Size of State Park System

- Evaluate Which State Parks Warrant Continuing as a State Asset.*** The state park system is currently one of the largest in the nation, and serves a large number of visitors, but perhaps not all parkland is significant or unique enough to be considered a state asset. There may be opportunities to make state parks local parks or non-profit conservancies, or to keep some parkland as open space even if the state divested the land as a state asset.

- Advantages and Limitation of This Approach.*** A smaller park system could allow DPR to focus limited resources on the most significant or valuable park assets. However, downsizing the size of the system may be seen as running contrary to the will of voters, who have historically approved multiple bond measures to support the expansion and development of the state park system.