

STATE PARKS BUDGET UPDATE

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ISSUE BRIEF

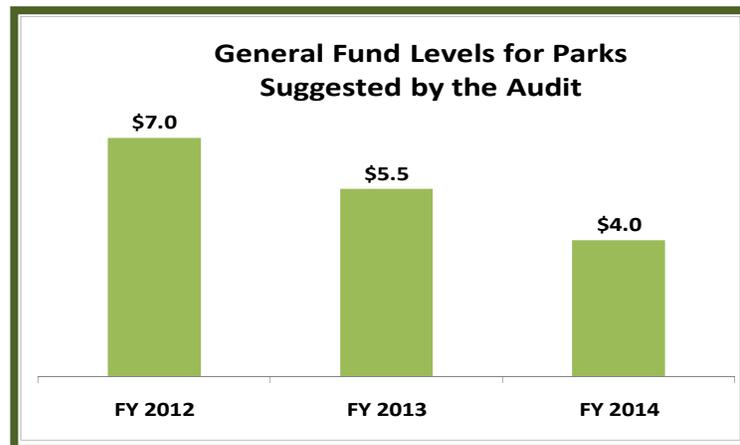
Introduction

Changes to the State Parks budget require the Division of Parks and Recreation to become more efficient and self reliant. The budget changes will be implemented over a number of years, allowing legislators to review Park’s progress. This document provides background and context for the division’s report to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee. The division is also required to report its progress to the Natural Resources Appropriations, Agriculture, and Environmental Quality Interim Committee later this fall.

During the 2010 General Session the Natural Resources Appropriations Subcommittee requested that the Legislative Auditor General conduct a performance audit to identify ways the Division of Parks and Recreation could be more self-sufficient and reduce its reliance on the General Fund. The legislative audit was released in January 2011, and the Legislature implemented many of its recommendations during the 2011 General Session. The Legislature reduced the division’s ongoing General Fund by \$5.8 million and provided for FY 2012 a one-time appropriation of \$2.8 million in General Fund. The Legislature also passed nine pieces of intent language based on the audit recommendations.

Audit Recommendations

The legislative audit report, [A Performance Audit of Utah State Parks](#), identified several ways the Division of Parks and Recreation can become more efficient and less reliant on the General Fund. To encourage the division to implement these efficiencies and find ways to better utilize the available resources, the report suggested that the Legislature gradually reduce the General Fund appropriation. As an option for legislators to consider, the audit suggested that the General Fund could be reduced to \$4 million by FY 2014 (see figure below).



The remaining \$4 million in General Fund would be used for heritage parks and the bond payments on golf courses. The audit recognized that heritage parks typically are not able to generate enough revenue to be self sustaining. While still expecting these parks to become more efficient, the audit recommended the seven heritage parks continue to receive some support from the General Fund. In addition, the audit acknowledged that the state would need to continue to fund the bond obligations for two of the golf courses (\$1.5 million per year) and the funding contracted with This Is The Place Foundation for the management of the This Is The Place Heritage Park (\$800,000 per year). However, the audit suggested that as a group the scenic parks, recreational parks, and

the golf courses can be expected to generate enough revenue on their own to cover their operating costs with little or no General Fund support.

General Fund Reductions

The Legislature was guided by the budget reduction scenario provided in the audit and reduced the division’s General Fund for FY 2012 from \$9.8 million to \$6.8 million (\$4 million ongoing and \$2.8 million one-time). Parks’ budget had an additional reduction of \$103,700 due to the statewide changes to healthcare coverage and Internal Service Fund (ISF) rates.

In S.B. 8, *Natural Resources, Agriculture, and Environmental Quality Base Budget*, the Legislature reduced Parks’ ongoing General Fund from \$9.8 million in FY 2011 to \$6.8 million in FY 2012. In later legislation (S.B. 2 and S.B. 3), the Legislature replaced \$2.8 million of the division’s \$6.8 million ongoing General Fund with one-time General Fund for FY 2012. These transfers did not have any impact on the funding level for FY 2012 but since the one-time funding applies only for FY 2012, the division’s ongoing General Fund will automatically be reduced by \$2.8 million in FY 2013.

In addition to the reductions related to the audit recommendations, the division’s General Fund appropriation was further impacted due to statewide changes in healthcare coverage (\$102,200 reduction included in S.B. 6, *State Agency and Higher Education Compensation Appropriations*), as well as a decrease in Internal Service Fund (ISF) rates (\$1,500 reduction included in S.B. 2, *New Fiscal Year Supplemental Appropriations Act*). The figure below presents all the General Fund changes for the Division of Parks and Recreation during the 2011 General Session.

General Fund Changes During the 2011 General Session			
	General Fund		
	Ongoing	One Time	Total
FY 2011 Base	9,810,600	0	9,810,600
<i>S.B. 8 (FY 2012 Base Bill)</i>	<i>(3,000,000)</i>	<i>0</i>	<i>(3,000,000)</i>
FY 2012 Base	6,810,600	0	6,810,600
<i>S.B. 2</i>	<i>(4,000,000)</i>	<i>4,000,000</i>	<i>0</i>
<i>S.B. 3 (Bill of Bills)</i>	<i>1,200,000</i>	<i>(1,200,000)</i>	<i>0</i>
<i>Statewide Reductions*</i>	<i>(103,700)</i>	<i>0</i>	<i>(103,700)</i>
Final FY 2012	3,906,900	2,800,000	6,706,900

*statewide reductions in healthcare coverage and ISF rates

The audit schedule suggested that the division’s General Fund for FY 2013 should be \$5.5 million (see figure on p. 1). If the Legislature desires to continue to follow the auditors’ schedule, it would need to provide for FY 2013 an additional appropriation of \$1.6 million one-time General Fund. This would flatten the division’s glidepath during the transition and bring the Parks’ total General Fund for FY 2013 to \$5.5 million (\$3.9 million ongoing and \$1.6 million one-time).

However, the amounts suggested by the audit in the reduction schedule are only an example of how the General Fund reduction could be implemented. The audit stated that the Legislature could go with a faster or slower pace.

Majority of the Funding Comes from the Restricted Accounts

In addition to the General Fund (comprising 22% of Parks' FY 2012 budget), the division receives revenues from several restricted accounts. The three major restricted accounts which provide 67% of the division's budget are: Boating (15%), Off-highway Vehicle (15%), and Park Fees (37%).

Major Restricted Accounts, Division of Parks and Recreation					
Restricted Account Name	Revenue Sources	Prescribed Use	Accounts' Activity, FY 2011 (in million)		
			Revenues	Expenditures	Year-end Balance
Boating	Motorboat and sailboat registration fees (UCA 73-18-22); Fel tax (UCA 59-13-201 (6))	Construction or maintenance of public boating facilities; Boater education; Division admin and enforcing boating laws.	\$4.4	\$5.1	\$1.3
OHV (Off-highway Vehicle)	OHV registration fees (UCA 41-22-19); Fuel tax (UCA 59-13-201 (8))	Construction or maintenance of public OHV facilities; Mitigation of OHV use; As grants for public OHV facilities; OHV education; Admin and enforcement of OHV laws.	\$4.8	\$5.0	\$4.9
Park Fees	Entrance, camping & golf fees; Sales of buffalo (UCA 79-4-402)	Division's general purposes.	\$12.5	\$11.8	\$4.7
Total			\$21.7	\$21.9	\$10.9

Note: the numbers are as of September 6, 2011, unaudited and subject to change.

The revenues in these accounts are generated from user and registration fees, as well as from fuel tax. The usage of each account is prescribed in statute and the funding from these accounts has to be appropriated by the Legislature in order to be expended.

Since these three accounts provide the majority of the funding for Parks, the Analyst suggests that division leadership implement a tool that can help them project the balances and assess the health of each of the funds on a regular basis.

Legislative Intent Language Based on Audit Recommendations

The 2011 Legislature also passed the following nine pieces of intent statements, which were based on the recommendations from the audit:

1. Eliminate overlap in support positions

The Legislature intends that the Division of Parks and Recreation examine the overlap of support staff at different levels of the organization, identify whether some positions should be eliminated, and report the progress to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

2. Create incentive program, replace full-time staff with seasonal, and reduce law enforcement costs

The Legislature intends that the Division of Parks and Recreation create a financial performance incentive program, take measured steps toward replacing full-time staff with seasonal employees, reduce the law

enforcement costs, and report the progress to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

3. Develop a plan to transfer management of some parks to county or local governments

The Legislature intends that the Division of Parks and Recreation develop a plan to transfer the management of selected state parks to county or local governments and present this plan to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

4. Develop a plan with options for parks whose management could be privatized

The Legislature intends that the Division of Parks and Recreation identify select parks that would be good candidates for privatization of their management and present a plan with options for the transition to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

5. Take steps to reduce division's General Fund to \$4 million by FY 2015

The Legislature intends that the Division of Parks and Recreation take steps to reduce its reliance on General Fund appropriations to \$4 million by FY 2015 and report its progress to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

6. Present a long-term plan for the implementation of the audit recommendations

The Legislature intends that the Department of Natural Resources present to the Natural Resources, Agriculture, & Environmental Quality Appropriations Subcommittee by November 2011 a detailed long-term plan for the implementation of the recommendations of "A Performance Audit of Utah State Parks."

7. Institute park-level accounting and report profit or loss of each park

As part of the effort to stay within the new budget constraints, the Legislature intends that the Division of Parks and Recreation institute park-level accounting at all parks and report the profit or loss of each park to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

8. Prepare proposals for improving efficiencies in the law enforcement responsibilities

The Legislature intends that the Department of Natural Resources prepare proposals for improving efficiencies in its law enforcement responsibilities. The department should seek input from County Sheriffs, the Department of Public Safety, and the Department of Natural Resources, and the State Legislature, and report the Department's proposals to the Natural Resources, Agriculture, and Environmental Quality Interim Committee by November 2011.

9. Keep state parks open during FY 2012

The Legislature intends that the \$4,000,000 one-time General Fund appropriation be used by the Division of Parks and Recreation to keep state parks open during FY 2012.