Division of Parks and Recreation Funding

Introduction

Much has been said recently in the media and in other public forums about the status of the Division of Parks and Recreation's capital facilities. The purpose of this report is to show funding levels and put them in historical, as well as statewide, perspective.

Statute requires the Division to "be the parks and recreation authority for the state of Utah" (63-11-17.1). The earliest state parks in statute include the old Utah State Prison (no longer part of the state system), This is the Place Monument, Camp Floyd, and the Territorial Statehouse. As the Division has evolved over the years, there has arisen a great deal of leeway for philosophical differences. For example,

- Should the state continue to subsidize parks due to their historical and community value?
- Should state subsidization also extend to recreational activities?
- Should the Division operate like a business and make operating decisions based solely on fiscal data?
- Is it appropriate for the Division to act as an administrator of museums?

One's answer to these questions will heavily influence his/her perspective of how the Division should be funded.

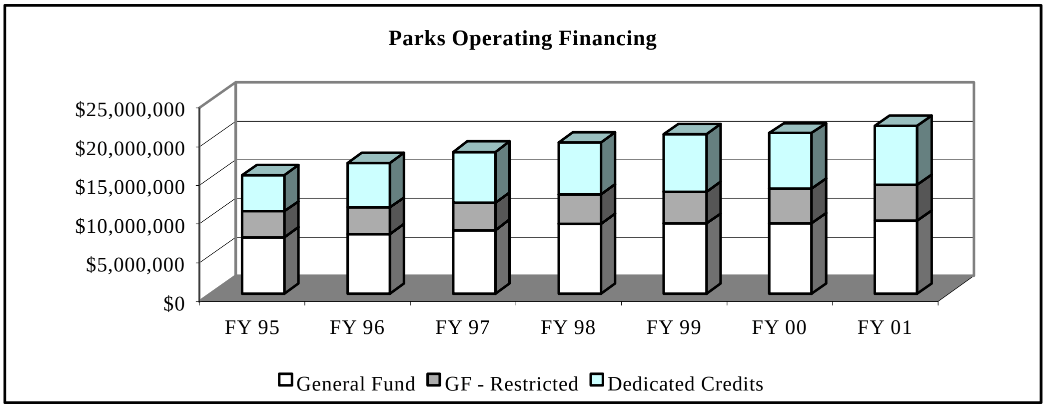
Dedicated credits (fees) are increasing as a percentage of the Parks budget

The Natural Resources Appropriations Subcommittee has adopted the philosophy that the Division should increase the proportion of its revenues from user fees (dedicated credits). The Division has responded accordingly by increasing fees and decreasing its reliance on general funds. Actions in the last year include:

- The Parks Board approved increases to most fees
- The Legislature passed SB 103, "Fees for State Golf Courses," which raised golf course user fees at the four golf parks
- Many parks have begun non-traditional activities--such as nighttime walks, bike rides, and guest speakers--to attract people to parks at off-peak times

Dedicated credits are slowly growing as a percentage of the Division's budget. In FY 1995, dedicated credits accounted for 29 percent of the operating budget. The FY 2001 appropriation sets dedicated credits at 34 percent of the operating budget.

The following charts display the changes in the operating budget since FY 1995:



Operating Financing	Actual FY 95	Actual FY 96	Actual FY 97	Actual FY 98	Actual FY 99	Estim FY 00	Approp FY 01
General Fund	$7,312,800	$7,717,900	$8,251,500	$9,052,800	$9,067,800	$9,142,100	$9,464,700
GF - Restricted	3,342,100	3,431,200	3,523,700	3,807,100	4,095,600	4,461,000	4,622,200
Federal Funds	488,400	370,300	480,600	153,400	499,900	662,900	794,400
Dedicated Credits	4,637,100	5,707,700	6,569,600	6,676,900	7,460,000	7,147,200	7,602,800
Total	**$15,780,400**	**$17,227,100**	**$18,825,400**	**$19,690,200**	**$21,123,300**	**$21,413,200**	**$22,484,100**

Park fee structures vary significantly in the western states

A comparison of the Division's fees with those of nine other western states shows that Utah's rates are among the highest of the ten (see Appendix A). While making direct comparisons is difficult because of differing fee structures, Utah's structure is among the more complex. Some things that other states do differently than Utah include:

- Texas has changed park rules and entrance fees. Visitors used to be charged by the car; now, they are charged per person. This change has generated new revenue but also resulted in decreased visitation.
- Texas parks receive a percentage of taxes collected through the sale of sporting goods.
- Texas and California charge higher rates at peak times.
- California recently began a process of cutting their park fees in half and increasing general fund appropriations. Voters also passed a $2 billion bond with $545 million going to renovate state park facilities.
- Wyoming's fees are approximately double for nonresidents.
- Among the ten states surveyed, Utah is the only state to provide free day passes to senior citizens. Texas recently discontinued the practice and Nevada charges a $10 administration fee.
- Last year Arizona announced a plan to close two historic parks. Due to public outcry, the Legislature and the Division shifted funds to avoid the closures.
- Due to budget constraints, Minnesota closed campgrounds at several state parks between Labor Day and Memorial Day weekend. The Legislature has since provided additional funding to preclude other closures this fall.
- In Florida, state parks receive no money from the General Fund. All programs are paid for through a percentage of revenue from a state real estate tax, and two trust funds that rely on such things as concession sales and camping fees.

Concerns with dependence on fees

Dependence on fees does have a downside. While it can increase revenues during good times, it also creates an uncertain cash flow. Fiscal uncertainty limits long-term planning and often results in increased operating costs. Fee revenue can be augmented by raising fees and/or by increasing visitation. As has happened in Texas, however, raising fees can lower visitation, ultimately flattening revenues and denying park services to a segment of the population. Increasing visitation has the downside of accelerating wear and tear expenses.

Another possible downside of reliance on fees is skewed priorities in favor of parks whose purpose or location brings in attendance, even though more remote heritage parks may be equally important to the state.

Visitations have leveled off

In Utah's case, increased revenue from dedicated credits has been a function of fee increases, not growth in visitation. In fact, visitation figures have leveled off in the last six years:

FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
5,762,485	7,104,000	6,737,825	7,089,614	7,127,315	6,876,579	6,957,511

Visitation numbers are affected by factors such as climate, park conditions, population growth, proximity of other recreational opportunities, advertising, and cost. Annual visitation numbers have leveled off in spite of favorable weather conditions in recent years. The Analyst believes this is because popular parks are already full at peak times. At this point, therefore, significant revenue increases would most likely have to come from sources other than increased visitation.

In addition to state park visitors, millions of others use programs administered by the Division. Such programs include boating safety, trails enhancement, riverway corridors, and grant administration. While the precise number of users of these programs is unknown, it is clear that they are gaining in popularity. These are the Division's programs that will be most impacted by future population growth in the state.

Capital funds for park renovations

Utah is not alone in its struggle to find money for capital facilities. According to *Governing* Magazine, "state parks are in trouble these days all over the country, struggling to find the money for repairs and new facilities" (March, 2000). Like parks in most other states, Utah's parks are suffering not from low visitation, but from age and high visitation.

Nearly two thirds of Utah's state parks were developed prior to 1974. Many were acquired with federal Land and Water Conservation Funds (LWCF) between 1964 and 1974. The following time line shows the years in which state parks were opened:

1957-59	1960-64	1965-69	1970-74	1975-79	1980-84	1985-89	1990-95
Territorial Statehouse This Is The Place Snow Canyon Camp Floyd/ Stagecoach Inn Field House of Natural History Dead Horse Point	Bear Lake East Canyon Lost Creek Palisade Goosenecks Coral Pink Kodachrome Steinaker	Green River Otter Creek Piute Scofield Huntington Rockport Willard Bay Wasatch Mtn Antelope Isl	Anasazi Gunlock Utah Lake Yuba Deer Creek Millsite Minersville Starvation Iron Mission Goblin Valley	Escalante Great Salt Lake Edge of the Cedars	Jordan River Fort Buenaventura	Quail Creek Fremont Red Fleet Veterans Memorial	Historic Union Pacific Rail Trail Jordanelle

Table 1 - Opening dates of state parks

DFCM is completing park evaluations

The Division of Facilities Construction and Management (DFCM) is in the process of completing facility evaluations on the state parks. Private sector architects perform the evaluations. To date, approximately one third of the evaluations have been completed. These evaluations are focused on existing buildings, not necessarily campgrounds or future enhancements.

The following table shows the parks that have been evaluated and the estimated cost for "immediate" recommended maintenance, as well as maintenance that should be performed in the next five to ten years. The "Division 'Needs'" column comes from the Division's spreadsheet (see Appendix B) and is shown for comparative purposes; however, the Analyst considers this list to contain many desired capital developments that do not necessarily reflect the status of existing buildings.

Park	DFCM Immediate Needs	DFCM Next Five Years Needs	DFCM Next Ten Years Needs	Division "Needs" List[1]
Edge of the Cedars	$156,600	$101,200	$378,800	$643,500
Iron Mission	53,200	242,600	19,000	1,765,000
Utah Lake	476,300	1,008,100	76,200	3,121,500
Hyrum	274,600	54,800	81,500	710,000
Bear Lake*	466,100	98,600	157,500	1,366,500
Kodachrome	75,600	3,600	4,100	820,000
Escalante	137,700	8,000	8,300	8,000
Territorial Statehouse	443,600	462,300	871,500	11,334,000
Green River	115,100	191,000	14,800	2,430,000
Goblin Valley	214,800	65,800	0	2,975,000
Coral Pink	167,400	25,400	900	345,000
Palisade	204,000	34,200	0	2,788,000
Snow Canyon	231,200	1,700	0	4,080,000
Great Salt Lake	4,543,600	29,500	3,500	2,705,000
Total Evaluated To Date:	**$7,559,800**	**$2,326,800**	**$1,616,100**	**$35,091,500**

[1] Includes desired capital developments.
* The Legislature appropriated $2.2M for campgrounds in the 2000 session.

Table 2 - Capital improvement needs at selected parks

Park funding is influenced by public policy--Great Salt Lake example

Great Salt Lake (GSL) State Park presents a good example of the policy issues facing the state. DFCM's facility evaluation recommends immediate replacement of seven boat docks. Besides being in poor condition, most docks have no electrical hook-ups, and none have dock lighting. One of the docks houses boats in which people reside year-round. There is a potential liability problem because the docks and the older gangways do not have anti-slip surfaces. The docks are nearing 30 years old; their planned life expectancy was seven to ten years. Many of the gangways are old wood structures that are in dangerous condition and should be replaced with aluminum gangways. There are 300 slips total at the docks. Total estimated cost to replace the docks and gangways is $3,500,000.

Assuming a fifteen-year useful life and 3.5% interest rate on time value of money, the state would have to collect $303,900 per year from dock fees to recoup the capital investment. In addition, GSL State Park had FY 1999 operating costs of $272,200. Even if there were no other capital costs, the annual cost of GSL State Park would be $576,100. Total FY 1999 revenues were $324,600, enough to cover the park's operating expenses but not total state expenses if the capital developments were done. The difference would have to be subsidized by general funds.

Is the community value of GSL State Park such that taxpayers should subsidize it? Regarding the slips, each would need to recover $1,000 per year in order to cover its capital costs alone. If the docks cannot collect this amount of revenue, should they be shut down or sold, or is the value of the marina to the state such that a loss is permissible? These are the types of questions constantly before the Division and the Legislature. A formal quantitative ranking process should be in place to help provide the answers.

How much should operating deficits influence park planning?

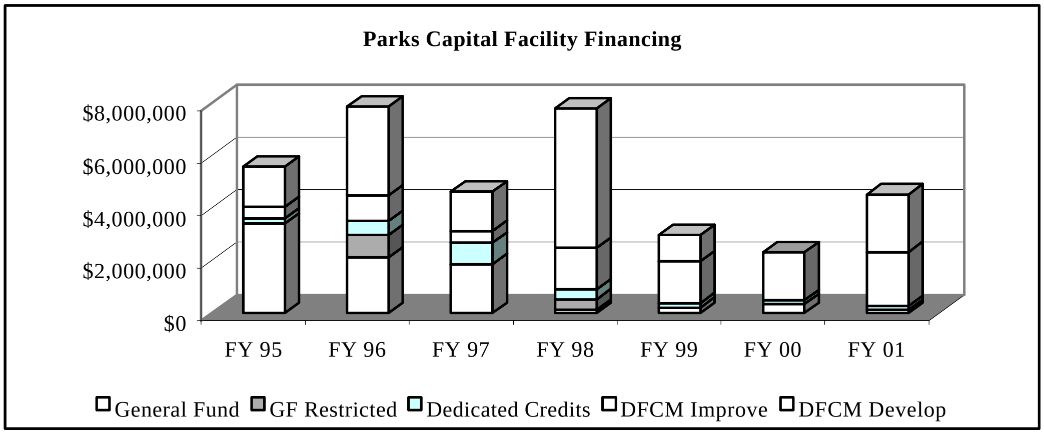
GSL State Park is one of four parks whose revenues matched or exceeded their operating expenditures in FY 1999. At other parks, revenues are substantially lower than operating expenditures. For example, the Territorial Statehouse collected $16,300 in revenues against $173,300 in operating expenditures. Moreover, the facility is clearly in need of extensive capital improvements costing millions of dollars. Is the heritage value of the Territorial Statehouse such that taxpayers should subsidize it? Does the park positively impact the local economy sufficient to justify the losses?

See the following table for visitation and financial data on each park.

Park Area	FY 1999 Visitations	FY 1999 Operating Revenues	FY 1999 Operating Expenditures	Operating Profit/ (Loss)
Northeast Region			$391,500	($391,500)
Bear Lake	270,742	$465,100	461,800	$3,300
Deer Creek	158,437	183,800	306,700	($122,900)
East Canyon	85,394	100,200	262,100	($161,900)
Flaming Gorge		4,900	101,800	($96,900)
Hyrum	58,024	73,800	183,400	($109,600)
Jordanelle	355,447	491,500	579,600	($88,100)
Rail to Trails			25,100	($25,100)
Rockport	236,688	116,500	268,300	($151,800)
Starvation	98,542	73,500	238,000	($164,500)
Steinaker-Red Fleet	80,072	75,500	250,700	($175,200)
Ut Fieldhouse of Nat Hist	92,831	125,100	309,800	($184,700)
Northwest Region			434,500	($434,500)
Antelope Island	379,349	647,300	1,085,600	($438,300)
Camp Floyd-Stagecoach	8,879	2,400	102,100	($99,700)
Ft Buenaventura	44,025	27,700	110,400	($82,700)
Great Salt Lake	102,033	324,600	272,200	$52,400
Jordan River & Golf Course	60,240	99,300	391,600	($292,300)
Pineview Reservoir		21,700	99,500	($77,800)
This Is The Place			801,100	($801,100)
Utah Lake	596,717	259,100	475,900	($216,800)
Veterans Cemetery	22,560	33,300	161,800	($128,500)
Wasatch Mtn & Golf Course	887,217	1,684,700	1,631,100	$53,600
Willard Bay	322,300	336,700	392,300	($55,600)
Southeast Region			464,800	($464,800)
Dead Horse Point	183,468	290,000	264,700	$25,300
Edge of the Cedars	29,313	68,200	278,500	($210,300)
Green River-Golf-Goblin Vly	195,368	273,800	573,800	($300,000)
Huntington-Millsite	109,889	65,600	225,900	($160,300)
Palisade & Golf Course	229,408	421,600	563,800	($142,200)
Scofield	100,122	71,100	203,400	($132,300)
Southwest Region			437,500	($437,500)
Anasazi Indian Village	42,985	106,400	191,400	($85,000)
Coral Pink Sand Dunes	190,466	111,300	183,600	($72,300)
Escalante-Kodachrome	123,483	158,800	246,400	($87,600)
Fremont Indian	103,861	49,700	278,500	($228,800)
Iron Mission	47,361	27,400	166,900	($139,500)
Lake Powell			235,300	($235,300)
Minersville	51,263	34,400	106,800	($72,400)
Otter Creek	34,777	26,900	170,900	($144,000)
Quail Creek	773,463	104,700	216,900	($112,200)
Snow Canyon	770,188	136,300	230,000	($93,700)
Territorial Statehouse	34,987	16,300	173,700	($157,400)
Yuba	77,612	79,100	244,000	($164,900)
Total	**6,957,511**	**$7,188,300**	**$14,793,700**	**($7,605,400)**

Table 3 - Park visitation, operating revenues and expenditures

The following charts show the major capital financing sources in the Division since FY 1995:



Capital Fac Financing	Actual FY 95	Actual FY 96	Actual FY 97	Actual FY 98	Actual FY 99	Estim FY 00	Approp FY 01
General Fund	$3,415,100	$2,105,100	$1,860,100	$105,100	$205,100	$330,100	$104,800
GF Restricted		860,000		408,000			
Dedicated Credits	180,400	530,200	818,700	375,700	163,500	150,000	150,000
DFCM Improve	441,300	974,200	449,600	1,600,000	1,600,000	1,817,900	2,061,900
DFCM Develop	1,550,000	3,400,000	1,500,000	5,300,000	1,000,000		2,195,000
Total	**$5,586,800**	**$7,869,500**	**$4,628,400**	**$7,788,800**	**$2,968,600**	**$2,298,000**	**$4,511,700**

Parks is receiving a significant share of available state dollars for improvements

Until FY 1998, the Division had $1,600,000 in its general fund base for capital improvements. In FY 1998 the Legislature moved that funding to the DFCM line item. Appendix C provides a list of projects funded through DFCM. The Division's general fund base for minor capital improvements is now $105,000.

In looking at the above table, it is important to note that some of the funding shown over the $1,600,000 / $105,000 base has been for legislative initiatives. While these projects enhance certain parks, they may add to the operations and maintenance burden. By not being expendable at the Division's discretion, they do not necessarily contribute to system-wide capital management.

Of the $1.6 million base for capital improvements, $1 million was added by the Legislature in FY 1995 to match $1 million from the federal Bureau of Reclamation (BOR) to improve state parks on BOR property. Parks that have been improved are Rockport and Deer Creek. Willard Bay is about to undergo improvement, and the current plan calls for East Canyon to be improved in the future. More BOR parks may be improved later if BOR can arrange the federal funding. There are twelve BOR parks.

Statute requires that 0.9 percent of the replacement values of state-owned facilities be funded for improvements before any new facilities are funded. According to DFCM, Park facilities account for about two percent of the replacement cost of all state facilities. If this were the only factor considered by DFCM, Parks would receive about two percent of the available capital improvement dollars. In fact, in FY 2000 DFCM allocated 6.3 percent of its improvement funding to Parks; in FY 2001 DFCM has budgeted 6.9 percent to Parks. That DFCM is allocating a higher than proportionate percentage to Parks shows there is a higher need as compared to other state agencies.

New federal funds may be available for improvements

A federal bill entitled "Conservation and Reinvestment Act" (CARA) has passed the House and is currently in Senate committee. The Legislation dedicates $2.8 billion in permanent annual funding toward federal, state and local environmental and conservation efforts. The Land and Water Conservation Fund (LWCF) would be restored at $900 million per year. Legislation requires the federal government to share 50 percent of LWCF funds with states, primarily as a local grant program requiring matching funds. Utah's portion of the LWCF would be about $5 to $6 million per year. While the bill has raised some questions about property rights issues, the funding would undoubtedly benefit the state parks system.

Recommendations

1. The Parks Board should continue enhancing revenue from the fee structure. Options already used in other states include eliminating the free day pass to senior citizens, charging higher rates at peak demand times, and charging higher rates to nonresidents.

2. The Legislature should avoid funding capital developments at state parks without considering the increased maintenance costs that result from such development. Already, Parks facilities are deteriorating faster than the .9 percent funding process is repairing them. The Analyst does not recommend setting a different formula for state parks, however, consideration should be given to the question, "is there revenue to maintain this facility?"

Two examples arose last Session. A bill was introduced to create a heritage park near Cedar City. One-time funding was included in the bill to help bring the facility up to Park standards. Operationally, however, the park would have lost money, and no on-going funding was included in the bill to cover the loss. This is an example of a capital development that would have further drained Parks' system resources. The bill did not pass.

The Legislature did fund a $2.2 million campground expansion at Bear Lake State Park. In this case, the campground is expected to generate more than sufficient revenue to cover its operating costs. The Legislature did not require that the excess revenues be dedicated to capital improvements, but that is an option that could be used in the future.

3. The Division of Parks and Recreation should have a formal evaluation/ranking process for deciding when state parks ought to be recommended for closure. The Analyst recognizes that several state parks are required by statute; closing these parks would require a statutory change. In the 1997 General Session, the Natural Resources Appropriations Subcommittee requested that the Parks Board and the Division Director identify a minimum of two parks that could be either closed or transferred in partnership to a local entity. The Division responded by transferring management of the Rail to Trail parkway to Park City, transferring a portion of Jordan River parkway to Salt Lake City, and recommending a transfer of the Veterans Cemetery.

The Division has since developed a quantitative evaluation process for considering new and existing parks. The Division should be prepared to use this process in case park closures become necessary. The Division will present their process in the June 13, 2000 meeting of the Executive Appropriation Committee.