



# POLICY BRIEF

## **Securing the Future of Washington's State Parks** *Market-Based User Fees and Privatization Can Solve Budget Strains*

By  
Jeff Hanson, Adjunct Fellow

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### **Executive Summary**

For the third year in a row, the State Parks and Recreation Commission (State Parks) has responded to proposed budget restraints by announcing the possibility of closing down some of its parks. In each case, none of the 42 parks targeted by the agency were closed.

State Parks recurring threat to close its own parks is shortsighted. The tactic may get the agency through one budget crunch, but the issue is bound to resurface in following years. Constant talk about closing parks creates a general fear that we will lose some of our most cherished public assets: the parks that preserve some of the finest natural beauty in the nation. Intelligent use of market-based user fees would break this cycle and give State Parks the resources it needs to maintain a first-class park system. Properly implemented, user fees would:

Keep faith with park users by ensuring that money from user fees is only used to fund the park system.

Keep faith with taxpayers by using some user-fee revenue to reduce State Parks' reliance on the General Fund.

Assure park users and taxpayers that State Parks is spending its dollars efficiently by granting the agency privatization authority, so it can improve service and save money through competitive contracting.

Washington State Parks faces serious, but solvable, budget problems. By introducing sensible market-based user fees and by contracting out the operation of appropriate parks, the Washington State Parks and Recreation Commission and the legislature can secure the future of our state's parks, while honoring their commitment to park users and other taxpayers.

### **Introduction**

For a third straight year, the Washington State Parks and Recreation Commission (State Parks) has responded to proposals that the agency reduce its budget by announcing that it would close a number of state parks.<sup>1</sup> In summer 1998, State Parks even appointed a special blue-ribbon panel to evaluate each of the 125 parks in the system to identify which parks it would close under three different budget-reduction proposals. Ultimately, none of the 42 parks targeted by the panel were closed, nor were any closed after State Parks again threatened park shut-downs during legislative budget negotiations in spring 1999. As of this writing, the 2001-03 budget for State Parks is undetermined; the prospect of park closures will remain an issue for many more weeks.

State Parks' recurring threat to close its own parks is shortsighted. The tactic may get the agency through one budget crunch, but the issue is bound to resurface in following years. Constant talk about closing parks creates a general

<sup>1</sup> "We're at the point there is no more fat to trim. We are cutting meat. We'll have to close parks." (Anne Hersley, Public Affairs Administrator, Washington State Parks and Recreation Commission, quoted in Brad Shannon, "State Readies Budget Cuts," *The Olympian*, 29 November 2000.)

fear that Washington citizens will lose some of our most cherished public assets: the parks that preserve some of the finest natural beauty in the nation.

The Parks and Recreation Commission took a step toward a meaningful solution on December 14, 2000, when commissioners unanimously approved a proposal to implement a day-use fee effective January 2002. Currently, Washington is one of only ten state park systems not to charge day-use, or entrance, fees.<sup>2</sup> One commissioner stated that he wanted new day-use revenues to fund park improvements; if the Legislature failed to provide adequate funding for existing parks, then the commission should close some parks and use day-use revenues for park improvements.<sup>3</sup> The commission directed agency staff to present specific options for implementing a day-use parking-fee program at its March 2001 meeting.

The introduction of day-use fees can go a long way toward erasing the budget problems facing State Parks, but one would never know it judging from agency statements. A day-use fee, insist State Parks personnel, would raise about \$2 million in additional revenue per year (after deducting collection costs). Were that forecast accurate, then a day-use fee would amount to little more than a band-aid. After all, State Parks faces a \$40 million maintenance backlog.<sup>4</sup>

State Parks' forecast of day-use revenues, though, is seriously flawed. Because of calculation errors and overly pessimistic assumptions, the agency has substantially underestimated—by about five times—the potential revenues from its proposed \$3 day-use parking fee. Further still, State Parks would realize substantially higher revenues if the commission implemented a more equitable day-use fee, one that reflects actual market demand.

The value that park users attach to a park visit varies, of course, depending on several factors. Among the most important considerations are the quality and location of the park, the day of week and time of year. Despite these important economic fundamentals, State Parks currently envisions a day-use fee that ignores them all. Thus, a carload of six persons would pay the same entrance fee for a visit to Deception Pass on Labor Day weekend as would one person visiting Tolmie State Park on a Tuesday in April. If designed properly, a system of differential day-use fees that reflected true market demand would not only be fairer, it would generate substantially more revenue, disperse congestion at the most popular parks, and enhance visitation at underutilized sites.

Justifiably, many taxpayers instinctively object to new or higher fees. A day-use fee, therefore, is likely to face significant citizen resistance. To alleviate their valid concerns, three supplemental steps are essential. First, the Legislature must keep faith with park users by ensuring that day-use fees support an enhanced parks budget. Park visitors are willing to pay their way if those funds are reinvested in the park system. Second, to keep faith with taxpayers, a substantial increase in park revenues should also lead to a partial reduction in State Parks' General Fund support. Once new park revenues fund a proper budget increase, a proportion of any additional revenues should be used to reduce State Parks' dependence on the General Fund (with a corresponding reduction in the state's Initiative 601 expenditure limit). Such an approach assures taxpayers that the new park fees do not lead to a bloated parks budget and do not provide an opportunity for the Legislature to increase spending elsewhere in the budget.

<sup>2</sup> The National Association of State Park Directors, "The 1999 Annual Information Exchange" (Tucson, Arizona, February 1999), Table 5D, pp. 34-36.

<sup>3</sup> Commissioner Joe Taller, Washington State Parks and Recreation Commission, draft minutes of Special Meeting (Kenmore, Washington), 14 December 2000.

<sup>4</sup> Cleve Pinnix, Director, Washington State Parks and Recreation Commission, quoted in Erik Robinson, "State Parks Pushes for Day-Use Fee," *The Columbian* (Vancouver, Washington), 7 December 2000.

Finally, State Parks must assure park users and taxpayers that the agency is spending its dollars efficiently. To do so, State Parks should contract out many of its park operations to private-sector providers. Contracting out can result in substantial savings and improved service. State Parks should examine the comprehensive contracting-out efforts of the provincial park systems of British Columbia and Alberta, which we detailed in a previous Washington Institute study, "Privatization Opportunities for Washington State Parks."<sup>5</sup> By analyzing the strengths and weaknesses of British Columbia's and Alberta's parks privatization programs, Washington state's park planners can identify which parks are best suited for contracting out and they can design an effective privatization strategy.

Washington State Parks faces serious, but solvable, budget problems. By introducing sensible market-based user fees and by contracting out the operation of appropriate parks, the Washington State Parks and Recreation Commission and the legislature can secure the future of our state's parks, while keeping faith with park users and other taxpayers.

### **State Parks' Budget Problems**

Washington State Parks is confronted with a \$40 million maintenance backlog despite operating the fourth most popular system in the nation. In fiscal year (FY) 1999, only the park systems of California, New York and Ohio drew more visitors than did Washington's state parks, which drew 48 million day-use and overnight visitors.<sup>6</sup> Washington State Parks' has a comparatively small operating budget, with expenditures totaling just 69 cents per visitor, well below the national average of \$1.81 per visitor.<sup>7</sup> One partial explanation for the comparatively small budget is the small amount of revenue collected from Washington's park visitors (21 cents per visitor, fourth lowest in the nation, which averages 81 cents per visitor).<sup>8</sup> Another important part of the answer is the composition of Washington's park visitors: 4.4 percent overnight visitors compared to 8.1 percent among all state park systems.<sup>9</sup>

Not only do day-use visitors make up a large proportion of Washington's park attendance, their visits are almost entirely subsidized by general tax dollars because they pay no entrance fees. Revenues from park users accounted for less than 30 percent of the agency's operating budget in FY 2000 (All Funds), with about two-thirds of that total coming from campers (who, recall, make up only 4.4 percent of total visitors).<sup>10</sup>

Given State Parks' reliance on general tax support, it is no surprise that a \$40 million maintenance backlog has accumulated. It is difficult, after all, for a parks budget to compete each year for scarce General Fund dollars against more popular causes such as education. From 1989-91 to 1999-2001, State Parks' biennial operating budget (appropriations from all funds) increased from \$59.6 million to \$89.2 million. Nearly half (\$13.5 million) of that \$29.6 million increase, however, went toward new responsibilities such as the operating costs associated

<sup>5</sup> Jeff Hanson, "Privatization Opportunities for Washington State Parks" (Washington Institute Foundation, Seattle, Washington, January 2000), available at [www.wips.org/Studies/PBParks.htm](http://www.wips.org/Studies/PBParks.htm).

<sup>6</sup> The National Association of State Park Directors, "The 2000 Annual Information Exchange," Table 3A ([www.indiana.edu/~naspd/statistics/visits.html](http://www.indiana.edu/~naspd/statistics/visits.html)).

<sup>7</sup> Author's calculations from NASPD, "1999 Information Exchange," Tables 3A and 5A, pp. 23, 29.

<sup>8</sup> Author's calculations from Ibid., Tables 3A and 5E, pp. 23, 43.

<sup>9</sup> Author's calculations from NASPD, "2000 Information Exchange," Table 3A. One can certainly overstate the importance of NASPD comparisons if one loses sight of the fact that state park systems vary considerably.

<sup>10</sup> Author's calculations based on Office of Financial Management expenditure monitoring data, 11 January 2001 ([www.ofm.wa.gov/mondata/ag465opr.htm](http://www.ofm.wa.gov/mondata/ag465opr.htm)) and Washington State Parks and Recreation Commission, [www.parks.wa.gov/revenuhx.htm](http://www.parks.wa.gov/revenuhx.htm) (the camping revenue estimate is from FY 1999 projections).

with new or upgraded facilities.<sup>11</sup> State Parks' base budget, therefore, increased by 27 percent over that period, just keeping pace with inflation (about 25 percent); attendance at the state's parks has also increased by about a quarter since 1989.<sup>12</sup>

Although Governor Gary Locke's 2001-03 budget proposal includes a 21 percent increase for State Parks' operating budget, nearly \$5 million of the \$18.6 million increase is for repair of roads in the parks.<sup>13</sup> The governor's proposal does not include any additional funding to address State Parks' heavy maintenance backlog.

## **Day-Use Fees as a Partial Solution**

The Washington State Parks and Recreation Commission's recent endorsement of day-use fees could prove an important step toward addressing the agency's long-term budget needs. It is not the first time, though, that the commission has approved the establishment of day-use fees. In January 1993 the commission approved a \$3 parking fee, and agency staff carried out implementation steps over the next several months. In June 1993, however, the Legislature passed a state operating budget that specifically stated that day-use parking fees not be assessed. The following year it was Governor Mike Lowry who stepped in, vetoing a day-use vehicle fee provision in the state operating budget. Recent day-use fee proposals have also failed. Governor Locke proposed a day-use fee in the 1997 legislative session, but the Legislature did not act on his request. Also failing was a 1999 pilot day-use parking fee program included in a House Republican 1999-2001 budget proposal.<sup>14</sup>

### **A. Advantages of User Fees**

Despite this difficult history, the Parks and Recreation Commission's decision to introduce day-use fees is proper. Obviously, day-use fees can generate needed revenue, which is certainly the commission's primary motivation. There are other important advantages as well.

Most fundamental, a shift in reliance from general taxes to user fees (such as entrance fees) is a fairer way to fund the park system. Where possible, those who benefit most from voluntarily using a government service ought to help the most to pay for it; those who visit Washington's state parks ought to pay substantially more to support them than do taxpayers who choose not to attend any parks. Despite the direct benefits they derive from, and the costs they impose on, the state park system, Washington's day-use park visitors (96 percent of total visitors) pay nothing extra for their enjoyment of the state's parks.<sup>15</sup> Yet, since people who directly benefit from state parks are in most cases easily identifiable, user fees offer a better and fairer funding source than general tax dollars.

<sup>11</sup> Author's calculations based on Cleve Pinnix, Director, Washington State Parks and Recreation Commission, memorandum to commission, "Review and Discussion of 1999-01 Operating Budget, Attachment A," 30 April 1999, and Washington State Parks and Recreation Commission, "History of State Parks Budget," [www.parks.wa.gov/budghist.htm](http://www.parks.wa.gov/budghist.htm). Unlike State Parks' documents, however, I do not classify enhanced revenue authority as a "new responsibility."

<sup>12</sup> Inflation (U.S. implicit price deflator) calculation taken from Office of the Forecast Council, Washington State. Washington Economic and Revenue Forecast, November 2000 (Olympia, Washington), Table A4.1, p. 126. Attendance estimate based on NASPD, "2000 Information Exchange," Table 3A, and Office of Financial Management, Washington State. 1999 Data Book (Olympia, Washington), Table VT02.

<sup>13</sup> Agency Detail Budgets," [www.ofm.wa.gov/budget01/detpage/465n1.htm](http://www.ofm.wa.gov/budget01/detpage/465n1.htm).

<sup>14</sup> This history is taken from Cleve Pinnix, Director, Washington State Parks and Recreation Commission, memorandum to commission, "Day Use Parking Fee—Report," 8 April 1999.

<sup>15</sup> The proper balance between general tax support for parks and direct user fees deserves reflection, but what can be said is that Washington's current park-funding system is improperly tilted toward general tax support.

User fees can also encourage more efficient use of a good or service. If a good or service is under priced (or not priced at all), each consumer has incentive to use more of it than they would if required to pay the actual market price.<sup>16</sup> Appropriate park user fees, then, have the advantage of discouraging wasteful use of Washington's parks.

Another potential benefit is the increased control associated with fee collection. When park users interact with fee collectors, the park visitors lose some of their anonymity and parks personnel are better able to screen out inappropriate and unsafe uses of the park.<sup>17</sup> The collection of fees can also provide park employees the opportunity to inform and educate visitors.<sup>18</sup>

Among the most prominent objections to user fees are the following: collection costs are too high; fees can reduce attendance, particularly visits by low-income users; and the public will not accept user fees. Each of these concerns is valid. If properly designed, though, a system of day-use fees can adequately address each of these objections. Sufficient operational flexibility will permit individual parks to use the most efficient fee collection methods for that park; sponsorships, discounts and coupons can enable low-income users to continue to enjoy Washington's parks; and legislative commitments to park users and other taxpayers can increase public acceptance of day-use fees. Later sections of this study address these objections in detail.

## **B. Differential Fees that Reflect Market Demand**

User fees are more equitable and effective if they reflect the market demand for the good or service being priced. Rather than introducing a flat-rate day-use fee, State Parks ought to establish a system of differential fees that captures visitor demand. The value that a park visitor attaches to a particular park varies according to the location and quality of the park, the time of year (e.g., weather considerations), day of week, and so on. A flat day-use fee improperly ignores these economic factors.

Variable pricing is routine and readily accepted in the private sector. For example, weekday stays at a motel are typically lower-priced than weekend stays; most cinemas offer matinee discounts; and most golf courses charge lower greens fees on weekdays, lower yet for "twilight" tee times. Though less common, differential fees are also used in the public sector. The City of Bremerton, for example, owns Gold Mountain Golf Complex, which includes two eighteen-hole courses: Cascade and Olympic. Gold Mountain-Olympic is considered one of the best public courses in the state. The city charges \$39 to golf Olympic on a weekend; the rate for Cascade is \$28. Of course, the city also charges lower rates for weekdays or twilight tee times.<sup>19</sup>

### **1. Advantages: Increased Revenues and Management Tool**

Obviously, differential pricing can increase revenues for the park system. With a flat fee, it is likely that some park visits would be under priced and—this point is often overlooked—some visits would be overpriced. In either case, revenues would be lower than they would be under optimal pricing. Total gross revenue is a function of price and attendance (and compliance). Since price affects attendance, park planners must set prices strategically to maximize total revenue. If a fee is set too high, then revenues will increase with an appropriate price cut (until it reaches the optimal price), because increased attendance will more than make up for the lower fee. On the other hand, if a park's fees are too low, then an

<sup>16</sup> Robert E. Manning et al., "Differential Fees: Raising Revenue, Distributing Demand," *Journal of Park and Recreation Administration* 2, no. 1 (1984): 22.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> Rates are from Gold Mountain's website, 11 January 2001 ([www.goldmt.com](http://www.goldmt.com)).

appropriately higher price will raise additional revenue despite a resulting drop in attendance.

The prospect of declining attendance certainly raises a red flag. Washington's state parks are a valuable resource, and nearly every state resident or visitor would benefit from taking advantage of the park system's offerings. Yet, the fact is that at times certain parks in the system attract too many visitors. Overcrowding during peak periods places unnecessary strain on park facilities and staff. Reducing visitation during peak periods can lower the agency's operating costs. Lower peak-period visitation can reduce the strain on agency staff; lessen the pressure to expand the size of facilities; reduce the need for maintenance and capital projects; and limit the extent of damage to agency resources.<sup>20</sup>

Differential pricing, therefore, would not only increase revenues, it could also serve as an important park management tool. Each of these functions, in turn, can assist State Parks in accomplishing two of its fundamental objectives: 1) protecting the state's parks and resources, and 2) providing quality user experiences in the state's parks. Increased revenues can help protect parks by funding additional personnel and infrastructure; additional revenues can also improve the quality of visitor experiences by supporting the new or improved facilities. The impact of differential fees on attendance patterns can reduce wear on popular parks and can enhance the recreational experiences of visitors, who can enjoy less-crowded parks.<sup>21</sup>

Do Washington's state parks have a problem with overcrowding? The existence of the system's \$40 million maintenance backlog is one indication that they do. Another is the fact that on busy weekends many parks close their gates and allow a new car to enter only when another car exits.<sup>22</sup> With differential pricing, these parks would be under less strain, users would better enjoy their visits (the queue of cars would largely be eliminated if the price reflected market demand), and State Parks would generate substantial revenue to improve the park system.

It is important to recognize that while differential fees would reduce peak-period visitation to the most popular parks, not all of those visits are "lost." Variable pricing works to disperse congestion and increase visitation at underutilized sites or at less popular times. Many park users, especially senior citizens, have flexible schedules and will have added incentive to visit parks on weekdays. Other users will choose to visit another less-crowded park that has lower fees.

## 2. Differential Camping Fees

Though this discussion focuses on day-use fees, State Parks should also dramatically restructure its camping fees. Currently, Washington State Parks charges camping fees based simply on the type of campsite: a standard site costs \$13 and a utility site is \$19. Other than this variation and the \$1(!) surcharge at popular parks from April to September (the popular destination park fee), State Parks' camping fees completely ignore market demand. Of course, campers highly value a popular campsite for a summer weekend. According to a 1994 State Parks

<sup>20</sup> United States General Accounting Office. Recreation Fees: Demonstration Fee Program Successful in Raising Revenues but Could be Improved, GAO/RCED-99-7 (Washington, D.C., November 1998), p. 60.

<sup>21</sup> Hans M. Gregerson and Allen L. Lundgren, "User Fees as a Park Management Tool: A Framework for Analysis," in Recreation Fees in the National Park Service: Issues, Policies, and Guidelines for Future Action, ed. A.L. Lundgren, Minnesota Extension Service Pub. no. BU-6767 (St. Paul, Minnesota: Cooperative Park Studies Unit, Department of Forest Resources, University of Minnesota, 1996), p. 124.

<sup>22</sup> Rita Cooper, Assistant Director, Administrative Services, Washington State Parks and Recreation Commission, e-mail correspondence with author, 28 December 2000.

report, “Campsites in the twelve most popular parks are reserved for every summer weekend as early as January.”<sup>23</sup>

Washington State Parks should restructure its camping fees to reflect market demand. A system of differential camping fees will increase revenues and disperse congestion. To do so, Washington would follow the lead of several other state park systems that charge variable camping fees. Utility campsites in Texas range from \$9 to \$16; in Virginia, fees for such sites are \$15-\$22; Ohio State Parks charges \$12-\$22 for a utility campsite.<sup>24</sup> Oregon State Parks is considering expanding its use of differential pricing for campsites. Currently, Oregon simply varies price based on time of year, offering a “Discovery Season” discount of \$2-\$5 for a campsite rental from October through April.<sup>25</sup> In a January 2000 report, Oregon Park’s “rate team” recommended applying camping fees on a regional basis, with higher or lower rates based on a park’s popularity compared to a regional average.<sup>26</sup>

### 3. Differential Day-Use Fees

The Washington State Parks and Recreation Commission should capitalize on the revenue and management advantages of differential pricing by designing a system of day-use fees that reflects market demand. Obviously, park users find some parks more attractive than other parks. Texas State Parks takes account of such varying demand by charging entrance fees ranging from \$1-\$5 per person (aged 13 and over) depending on a park’s popularity.<sup>27</sup> An even better fee would also vary by time of year to reflect peak season demand. At the 72 Washington parks previously identified by State Parks as candidates for a day-use fee, three times as many park users visit from April through September as during the other six months of the year.<sup>28</sup> Similarly, parks ought to charge higher entrance fees on weekends to reflect greater consumer demand. Compared to the flat \$3 per-vehicle fee proposed by State Parks in previous years, differential day-use fees would generate substantially higher revenue and would also disperse congestion.

In a State Parks sponsored “Year 2000 Customer Focus Survey,” Washington state residents expressed some opposition to differential pricing.<sup>29</sup> Only one-third of respondents agreed that State Parks should charge more for busy campsites. It would be a mistake, though, to conclude that the state’s residents are firmly opposed to variable pricing. The survey questions did not mention the potential benefits of differential fees; the survey simply asked respondents if State Parks should charge more for a popular campsite. If aware of the revenue and management benefits of differential pricing, citizen support would likely increase substantially.

### 4. Exemption from Initiative 601 Fee Limit

For State Parks to introduce a system of differential fees, the Legislature must grant an exemption from Initiative 601. The initiative famously limits the state’s General Fund budget expenditures, but it also requires prior legislative

<sup>23</sup> Washington State Parks and Recreation Commission, “Restructuring Washington State Parks” (Olympia, Washington, December 1994).

<sup>24</sup> The rates are from the following websites, 11 January 2001: [www.tpwd.state.tx.us/park/admin/fees.htm](http://www.tpwd.state.tx.us/park/admin/fees.htm), [www.dcr.state.va.us/parks/camp99.htm](http://www.dcr.state.va.us/parks/camp99.htm), and [www.dnr.state.oh.us/odnr/parks/facilities/campingfees2000.htm](http://www.dnr.state.oh.us/odnr/parks/facilities/campingfees2000.htm).

<sup>25</sup> From [www.prd.state.or.us/oprd\\_faq.html](http://www.prd.state.or.us/oprd_faq.html) (11 January 2001).

<sup>26</sup> Oregon State Parks, “Rate Team Report” (Salem, Oregon, January 2000), p. 9.

<sup>27</sup> From [www.tpwd.state.tx.us/park/admin/fees.htm](http://www.tpwd.state.tx.us/park/admin/fees.htm) (11 January 2001).

<sup>28</sup> Author’s calculations based on 1998 attendance figures from Washington State Parks and Recreation Commission, “Attendance Report, Calendar Year 1998” (Olympia, Washington), and “Attendance for Proposed 72 Day Use Fee Parks,” a spreadsheet e-mailed to the author on 15 June 1999 (from Bethany Lael, Chief of Budget and Policy, Washington State Parks and Recreation Commission).

<sup>29</sup> “Washington State Parks Year 2000 Customer Focus Survey,” conducted by the Social and Economic Sciences Research Center, Washington State University, June 2000.



approval of any fee increases that exceed the combined rate of inflation and population growth (the “fiscal growth factor”).<sup>30</sup> Though some government charges akin to commercial transactions are not considered fees for the purposes of Initiative 601, park visitor fees likely fall within the reach of the initiative. According to a 1994 memorandum from the state Attorney General’s Office,

If a charge is for the provision of services which are governmental rather than proprietary in nature, it would be a “fee” within the meaning of Initiative 601, even if similar services are offered by others in the marketplace. . . . Thus, even though private businesses also offer campsites, the fees for camping in public parks would be “fees” within the meaning of Initiative 601.<sup>31</sup>

To accommodate efficient price setting, a legislative exemption should be broad enough to permit camping and day-use fees to increase and decrease according to changing market demand.

Such an exemption from Initiative 601 is not worrisome because unlike many other fee-supported state programs, the Washington state park system must compete with the private sector. The marketplace, therefore, would place an effective check on differential park fees. If a state park’s prices are set too high, many park users will choose to visit more reasonably priced private recreation areas (or shift to other recreation alternatives) and the park’s total revenues will decline. With incentive to increase fee revenues, park planners will act to ensure that each fee does not exceed its optimal price - which is itself affected by private-sector competition.

### **C. Revenue Potential of Day-Use Fees**

Day-use fees have the potential to generate substantial new revenue for Washington state’s park system. Even the poorly-designed, flat, \$3 per-vehicle entrance fee previously proposed by State Parks could raise about \$10 million in net revenue each year. Differential day-use fees offer much greater revenue potential.

#### **1. State Parks’ Flawed Revenue Estimate**

At least since February 1997, State Parks has projected that a \$3 per-vehicle entrance fee would generate about \$2 million annually, after deducting collection costs.<sup>32</sup> The figure does not include a projected \$1.4 million for equipment- and education-related start-up costs. The agency continues to estimate \$2 million in net revenue based on a day-use fee that would be collected at 72 parks during the peak season, from April 1 through September 30.

State Parks’ estimate, however, is deeply flawed. An improved estimate, which corrects for calculation errors and overly pessimistic assumptions, projects about five times as much annual net revenue. Table 1 presents a breakdown of State Parks’ estimate and compares it with our revised estimate.<sup>33</sup> The following paragraphs describe those revisions step by step.

State Parks bases its estimate on 1998 data. From April through September, more than 24 million day-use visitors attended the 72 selected parks. To estimate the number who would be subject to a day-use fee, State Parks first reduces that total by 50 percent to account for several types of visitors who would be exempt

<sup>30</sup> Revised Code of Washington 43.135.055.

<sup>31</sup> Narda Pierce, Solicitor General, and James Pharris, Senior Assistant Attorney General, Office of the Attorney General, Washington State, memorandum to assistant attorneys general, “Initiative 601” (Olympia, Washington, 2 February 1994), p. 20.

<sup>32</sup> Noted in a history of day-use fee proposals in Washington State Parks and Recreation Commission, draft minutes of Special Meeting (Kenmore, Washington), 14 December 2000.

<sup>33</sup> State Parks’ estimate is detailed in a spreadsheet e-mailed to the author on 15 June 1999 by Bethany Lael, Chief of Budget and Policy, Washington State Parks and Recreation Commission.

from an entrance fee: children; walk-in visitors; multiple-site visitors (annual pass holders who visit multiple sites); visitors on free days; low-income seniors, disabled citizens, or disabled veterans with park passes; campers; and Environmental Learning Center visitors.

Before addressing each of these categories individually, it is necessary to explain State Parks' method for estimating day-use attendance. Parks rely primarily on traffic counters (strategically placed so as not to double count vehicles). Vehicle counts, of course, do not capture walk-in visitors, so average vehicle occupancy is not sufficient to estimate total visitation. To compensate, the agency multiplies vehicle counts by a "load factor" that accounts for walk-in visitors as well as vehicle passengers. The day-use load factor is 3.5 persons per vehicle or boat.<sup>34</sup>

Given State Parks' method for estimating attendance, the agency estimate should not have included children and walk-in visitors in the initial 50 percent reduction. They are accounted for later in the estimate through a "reverse" application of the load factor (i.e., converting number of individuals back to number of vehicles). Again, walk-in visitors are included in the load factor and so too are children—assuming children are not driving cars into the state's parks.

Another error in State Parks' estimate is its inclusion of multiple-site visitors (annual pass holders) in the initial 50 percent reduction. The agency accounts for these very same visitors later in its estimate, as shown in Table 1.

State Parks' estimate also includes a reduction for fee waivers, as it assumes that parks will waive entrance fees for one or more days a month. For our revised estimate, we assume that agency staff contemplated a waiver similar to the idea proposed recently by a Parks and Recreation Commissioner: free park access the first Sunday of each month.<sup>35</sup> (From a resource-management perspective, a Sunday fee waiver presents problems because it would increase usage during what is already a high-demand day.) We estimate a 10 percent reduction in paying visitors based on one free Sunday per month.

Current law provides for park passes for low-income seniors, disabled residents and disabled veterans.<sup>36</sup> Low-income seniors and disabled residents are eligible for 50 percent reductions in camping fees, while disabled veterans are eligible for free use of a State Park campsite. The statute—anticipating day-use fees—also entitles pass holders to free admission to any state park. It is unknown what proportion of day-use visitors are pass holders (or what percentage would be if entrance fees were introduced), but it is almost certainly minimal.

In its estimate, State Parks also deducts for campers and Environmental Learning Center (ELC) visitors, who are apparently included in the agency's day-use attendance data. At the 72 identified fee parks, campers totaled 5.1 percent of total day-use visitors and ELC visitors accounted for another 0.2 percent.<sup>37</sup>

Examination of the individual components of State Parks' initial 50 percent reduction reveals its gross overstatement. After eliminating the double-discounting errors in State Parks' estimate (children, walk-in visitors, annual pass holders), we estimate a reduction of about 16 percent for the first group of categories in Table 1 (rounding up the 15.3 percent sum of estimates).

<sup>34</sup> Lynn Genasci, Assistant Director, Operations, Washington State Parks and Recreation Commission, "Directive 87-1 (revised 12/29/89)," memorandum to operations administrative staff, region supervisors, park managers, and park rangers, 29 December 1989.

<sup>35</sup> Commissioner Joe Taller, Washington State Parks and Recreation Commission, draft minutes of Special Meeting (Kenmore, Washington), 14 December 2000.

<sup>36</sup> Revised Code of Washington (RCW) 79A.05.065.

<sup>37</sup> Author's calculations from State Parks, "Attendance Report, 1998."

We also reject State Parks' assumption that some of the 72 fee parks will be taken off the day-use fee list (the agency estimate in Table 1 reduces the number of fee-paying visitors by 10 percent to reflect this assumption). Barring inappropriate political pressure, more parks should be added to, not subtracted from, the day-use fee list.

**Table 1: A Critique of State Parks' Projection of Day-Use Fee Revenues  
State Parks' Estimate An Improved Estimate**

State Parks' Estimate		An Improved Estimate	
24,048,074	# of day-use visits at 72 selected parks, April 1998 through Sept. 1999	Same	24,048,074
	Children	Irrelevant for a vehicle parking fee (accounted for below in load factor)	
	Walk-ins	Discounted below in load factor	
	Multiple-site visits	Discounted below in annual pass	
	No fee on certain day(s) of month	Unknown impact (est. approx. 10%). The Parks and Recreation Commission has recently shown interest in having no fee one Sunday per month.	-10%
	Fee passes for low-income seniors, disabled citizens or disabled veterans (RCW 79A.05.065)	Minimal, unknown impact	
	Campers	Campers equaled 5.1% of total day-use visitors at 72 fee parks in 1998	-5.1%
	Environmental Learning Center (ELC) visitors	ELC visitors equaled 0.2% of total day-use visitors at 72 fee parks	-0.2%
-50%	50% total reduction for the above	Revised reduction for above, est.	-16%
12,024,000	Subtotal	Revised subtotal	20,200,000

-40%	Assumes 40% price resistance to new day-use fees	A 40% fee backlash is overly pessimistic, inconsistent with the experiences of other park systems	-15%
6,492,960	Subtotal	Revised subtotal	17,170,000
+4	Assumes 4 persons per vehicle	State Parks' attendance estimates are based on a load factor of 3.5 persons per vehicle (the load factor also accounts for walk-in visitors)	3.5
1,623,240	Subtotal (vehicles subject to fee)	Revised subtotal	4,906,000
1,298,592	Assumes 80% pay each visit	Same	3,924,800
\$3,895,776	Revenue from \$3 per vehicle fee	Same	\$11,774,400
324,648	Assumes 20% use annual pass	Same	981,200
16,232	# of passes sold (assumes each annual pass-holder visits 20 times)	Same	49,060
\$486,972	Revenue from \$30 annual pass	Same	\$1,471,800
-\$350,620	Less (on average) 8% sales tax (calculated as 8% of combined revenue)	Actually, .08 vs 1.08 of combined revenue is the proper calculation	-\$981,200
-\$400,000	Less revenue from boat launch and trailer dump	Same	-\$400,000
\$3,632,128	Projected annual gross revenue	Revised projection of gross revenue	\$11,865,000
-\$1,698,680	Less ongoing collection costs (est.)	Same	-\$1,698,680
\$1,933,448	Projected annual net revenue	Revised projection	\$10,166,320

In its estimate, State Parks assumes 40 percent of potential visitors faced with entrance fees will choose not to attend. This assumption, though, is overly pessimistic. There is some uncertainty about the impact of new recreation fees on attendance, but a 40 percent backlash is almost certainly overstated. An analysis of the federal Recreational Fee Demonstration Program observed mixed results for sites introducing new fees: the largest decline, apparently, was 24 percent; visitation at another site dropped 15 percent; other sites actually saw attendance

increase after introducing new fees.<sup>38</sup> Virginia State Parks also saw attendance increase after introducing new entrance fees in 1993.<sup>39</sup> Obviously, many other factors are at work (a new fee certainly does not entice someone to visit a park who would not attend if access were free), but it seems clear that a projected 40 percent backlash is unwarranted. For our revised estimate, we assume a more reasonable 15 percent reduction because of the new fees.

After the above corrections and improved assumptions, the projected number of fee-paying visitors in Table 1 increases from about 6.5 million to nearly 17.2 million. These values must be converted to number of vehicles in order to project revenues from the parking fee. State Parks' revenue estimate assumes four persons per vehicle, which is too high given that the agency uses a load factor of 3.5 when estimating attendance—and the load factor accounts for walk-in visitors as well as vehicle passengers.<sup>40</sup> Applying the 3.5 person per-vehicle load factor, the improved estimate in Table 1 projects 4.9 million vehicles subject to a day-use parking fee, compared to 1.6 million in State Parks' estimate.

For the rest of the calculations in Table 1, State Parks' assumptions are applied (20 percent of vehicles have a \$30 annual pass, averaging 20 visits per year; sales tax is deducted from State Parks' fee revenues; revenues from boat launch and trailer dump fees are deducted; ongoing collection costs total \$1.7 million). The end result: State Parks' projection of \$1.9 million in annual net revenue from a \$3 parking fee underestimates potential revenue by about five times. After correcting for calculation errors and overly pessimistic assumptions in State Parks' revenue estimate, Table 1 projects about \$10 million in annual net revenue from the proposed day-use fee.

## 2. Even Higher Revenue with Differential Fees

State Parks' flawed estimate of potential day-use revenues has improperly framed past discussions of entrance fees. For a park system confronting a \$40 million maintenance backlog, a potential \$2 million infusion of new revenue is perceived as a mere band-aid. On the other hand, a potential \$10 million funding increase would represent a substantial step toward meeting State Parks' budget needs.

An additional \$10 million, however, is itself a serious understatement of day-use fee revenue potential. Recall that Table 1 estimates revenue from a poorly designed flat, \$3 per-vehicle fee. State Parks would substantially increase entrance fee revenues if it implemented a system of differential day-use fees with pricing that reflects market demand. Elsewhere I have estimated that annual gross revenues from differential day-use fees could exceed \$20 million.<sup>41</sup>

### D. A Properly Designed System of Day-Use Fees

To take full advantage of the benefits of user fees, the Washington State Parks and Recreation Commission must carefully design a system of day-use fees. The following sections discuss several important considerations.

#### 1. Differential, Market-Based Fees

As outlined previously, variable, market-based entrance fees offer important advantages over a uniform day-use fee. In addition to their much greater revenue

<sup>38</sup> GAO, Recreation Fees, pp. 75-79.

<sup>39</sup> Daniel D. McLean, Department of Recreation and Park Administration, Indiana University, Bloomington, e-mail correspondence with author, 30 November 1998.

<sup>40</sup> It is true that, to some extent, a parking fee will encourage increased carpooling.

<sup>41</sup> Jeff Hanson, "Toward a Self-Sufficient State Park System: Ensuring Stable and Equitable Parks Financing" (Evergreen Freedom Foundation, Olympia, Washington, 9 December 1998), which is available at [www.effwa.org/website/publications/inbriefs/8-1.htm](http://www.effwa.org/website/publications/inbriefs/8-1.htm).

potential, differential fees can disperse congestion, thereby increasing park managers' ability to protect parks and enhance visitor experiences.

## 2. Flexible Pricing and Implementation

The State Parks and Recreation Commission should also resist the tendency to propose a one-size-fits-all solution. For example, recent agency proposals have focused exclusively on per-vehicle fees rather than per-person fees that would also apply to walk-in visitors. At an April 1999 meeting, a commissioner stated her strong preference for a per-vehicle charge.<sup>42</sup> Why this insistence? After all, as Commissioner Cecilia Vogt seemed to imply at a December 2000 meeting, a walk-in park visitor imposes essentially the same costs on a park as does a visitor arriving by car.<sup>43</sup> Even more relevant for market-based pricing, the manner by which a person arrives at a park does not significantly influence the benefit derived from the visit. Further, a carload of four persons will tend to value a park visit more than would a solo visitor. Given these considerations, a per-person fee is more equitable than a per-vehicle fee.

Three primary explanations for the parking-fee preference suggest themselves. Perhaps advocates seek to encourage carpooling or walk-in visits to reduce parking lot congestion at the state's parks. Differential pricing, though, can yield the same benefits (higher peak-period prices will disperse congestion). Another likely explanation is a perception that per-vehicle fees will ensure that low-income families will continue to have access to Washington's parks (the next section addresses this issue more fully). State Parks, though, could structure a variable pricing system that addresses this same concern. Several of Virginia's state parks, for example, charge weekend entrance fees of \$2 per adult and \$1 per child, with a maximum \$5 per vehicle.<sup>44</sup>

A preference for per-vehicle fees may also derive from an assumption that a per-person fee is either not feasible or would entail prohibitive collection costs. An effective per-person charge would seem to require parks to have employees collect fees at contact stations. A per-vehicle charge, on the other hand, would also lend itself to methods that require less staff involvement. Parks could install automated parking ticket dispensers, and parks personnel could periodically patrol parking areas to ensure compliance. Alternatively, a park could use manual collection boxes ("iron rangers") and largely rely on visitors' voluntary compliance with a parking fee.

It is certainly true that at certain parks potential revenues are too small to justify labor-intensive collection costs. Yet, this is not true system wide. State Parks need not—and should not—design one uniform method to collect fees. At some parks, given their geographical layout and other characteristics, it is not feasible to collect day-use fees at all (except, perhaps, through voluntarily compliance methods). For other parks, automated ticket dispensers are feasible, but staffed collection stations are not. Still other parks can accommodate fee collection at contact stations, and, therefore, are candidates for per-person fees. Further yet, the most appropriate collection method may vary within an individual park, depending on the time of year or day of week (e.g., per-person fees collected at staffed collection booths during peak weekends; parking permits from automated dispensers during other times).

<sup>42</sup> Commissioner Joan Thomas, Washington State Parks and Recreation Commission, minutes of Special Meeting (Olympia, Washington), 8 April 1999.

<sup>43</sup> Commissioner Vogt asked, "Has a study been done by anyone that would tell us whether people who arrive at the park on foot or by bus cause less of an impact on the park?" Washington State Parks and Recreation Commission, draft minutes of Special Meeting (Kenmore, Washington), 14 December 2000.

<sup>44</sup> From [www.dcr.state.va.us/parks/index.htm](http://www.dcr.state.va.us/parks/index.htm) (16 January 2001).

The question should not be whether to charge per-person or per-vehicle fees. Instead, the question should be when and where to charge per-person or per-vehicle fees. Similarly, State Parks should embrace a flexible approach to fee collection methods. The most efficient pricing structure and collection method will vary from park to park, based on each individual park's characteristics and attendance patterns.<sup>45</sup>

### 3. Minimizing the Impact on Low-Income Visitors

A properly designed day-use fee system must consider the impact that such fees will have on low-income park users. When considering user fees, however, there is a tendency to focus on this question too early in the analysis. Rather than initially contemplating entrance fees that have minimal impact on the poor, park planners should first conceive of the most equitable and efficient day-use fee system and then identify ways to reduce any negative effects on low-income visitors.

Although certainly no reason to dismiss concern for those park users who are poor, one should recognize that park visitors tend to have higher-than-average incomes. Data from State Parks' "Year 2000 Customer Focus Survey" reveal that Washington residents who have visited a state park in the last two years have higher household incomes than non-users. The difference is statistically significant.<sup>46</sup> Among survey respondents, 6.0 percent of park users stated that their household income was less than \$20,000 compared to 12.8 percent of nonusers; 41.0 percent of park users reported household incomes greater than \$60,000 compared to 31.2 percent of nonusers.<sup>47</sup> These results for Washington park visitors are consistent with a 1997 survey of National Park Service visitors. That survey found that 73 percent of visitors reported 1999 household incomes exceeding \$40,000, "considerably above the income distribution of the United States population."<sup>48</sup>

Even if comprising a smaller number than sometimes assumed, some low-income park users would have difficulty affording new or higher fees. The most appropriate responses to this problem would target low-income users as specifically as possible, though, rather than adopting a broad solution that sacrifices the benefits of a differential user-fee system. Potential solutions include those offered by Richard Burke in his proposal that was a runner-up winner in Cascade Policy Institute's 1998 Oregon Better Government Competition. In a proposal for improving local park and recreation districts, Burke suggests four options to mitigate the potential impact of fees on low-income individuals: advertisements and sponsorships; coupons sponsored by local businesses; free access for children who qualify for free school lunches; and free and discounted days.<sup>49</sup>

#### E. Public Acceptance of Day-Use Fees

The prospect of new or higher user fees will initially generate significant opposition from many Washington residents who will view the fees simply as

<sup>45</sup> Obviously, a fee structure that is too complicated can confuse visitors and potentially lead to a decline in visitation. The complexity of the rate structure, however, is simply another factor to consider when evaluating what pricing system will optimize revenue.

<sup>46</sup> Author's calculations from "2000 Customer Survey" cross tabulation results for 1999 household income and type of user. The results are significant both when comparing all park users (camping and day-use) with nonusers ( $p=.002$ ,  $\eta^2=19.2$ ,  $df=5$ ) and when comparing day-use visitors with nonusers ( $p=.003$ ,  $\eta^2=18.1$ ,  $df=5$ ).

<sup>47</sup> Author's calculations from Ibid.

<sup>48</sup> Allen L. Lundrigen and David W. Lime, "Overview of a 1997 National Park Service Monitoring Study to Obtain Visitor Reactions to the Recreational Fee Demonstration Program" (St. Paul, Minnesota: Cooperative Park Studies Unit, Department of Forest Resources, University of Minnesota, November 1997), p. 13.

<sup>49</sup> Richard P. Burke, "More Ways to Play: A Review of Funding Alternatives for Local Park and Recreation Districts," in 1998 Oregon Better Government Competition (Cascade Policy Institute, Portland, Oregon).

another tax. Some of the loudest protest will come from park users, the ones who will bear the costs of the fees. The instincts behind such protests are sound. Their concerns can be met, and their support can be gained, however, if State Parks properly designs and explains the new fees and if the Legislature makes important commitments to park users and other taxpayers.

As noted previously, park day-use fees are common throughout the country. The National Park Service relies on entrance fees, as do forty state park systems. Most visitors at those parks have come to accept the principle that they should pay for their enjoyment of a public park. In a recent Oregon Parks survey, 92 percent of park visitors found Oregon's day-use fees "reasonable."<sup>50</sup>

Washington residents themselves have expressed strong support for day-use fees as an alternative to closing parks. Nearly 90 percent of survey respondents agreed that State Parks should charge a day-use fee at a park "if it meant the difference between keeping the park open and having to close it[.]"<sup>51</sup> This result is especially relevant for the 19 state parks that the commission included on both its 1998 potential closure list and its list of potential day-use fee parks.

### 1. Keeping Faith with Park Users: New Fees to Support Parks

To gain the support of park users, it is essential that revenue from new or higher user fees support park improvements. Park visitors are much more likely to accept fees if they can see tangible benefits at their parks. A former director of New Hampshire State Parks insists that "income from fees is a special kind of park revenue, paid by users in trust, for the explicit purpose of park operations."<sup>52</sup> Washington State Parks' recent survey found substantially more support for day-use fees if revenues were used to increase maintenance, staffing and services. While 69 percent of respondents agreed that State Parks should charge entrance fees to support these park improvement purposes, less than 44 percent favored day-use fees if simply a replacement for current state funds.<sup>53</sup>

The State Parks and Recreation Commission, however, cannot assure park users on its own that new fee revenue will facilitate park improvements. Because of the state's budget process, that assurance must come from the Legislature. Even if the commission were to implement new fees and increase revenues, the Legislature could respond by reducing General Fund appropriations by an equivalent amount. Such a scenario played out in 1993, leading the commission to scrap its plans for a day-use fee. While steps were well under way to implement the new fee, the House Appropriations Committee approved budget language that would have reduced General Fund support if the commission followed through with its planned day-use fee. In response, the commission rescinded its day-use fee plan.<sup>54</sup>

To keep faith with park users, the Legislature should ensure that revenues from new day-use fees support an enhanced park budget. With that legislative commitment, public acceptance of the new fees will increase substantially because they can anticipate tangible benefits for the state's parks.

### 2. Keeping Faith with Taxpayers: Replace Some General Fund Support

<sup>50</sup> Oregon Parks, "Rate Team Report," p. 10.

<sup>51</sup> 61.9 percent strongly agreed; 27.6 percent somewhat agreed ("Year 2000 Customer Focus Survey").

<sup>52</sup> Will LaPage, "Fees as Dedicated Park Income: Linking User Fees to System Costs and Objectives," in *Recreation Fees in the National Park Service: Issues, Policies, and Guidelines for Future Action*, ed. A.L. Lundgren, Minnesota Extension Service Pub. no. BU-6767 (St. Paul, Minnesota: Cooperative Park Studies Unit, Department of Forest Resources, University of Minnesota, 1996), p. 27.

<sup>53</sup> "Year 2000 Customer Focus Survey."

<sup>54</sup> This history is summarized in Washington State Parks and Recreation Commission, draft minutes of Special Meeting (Kenmore, Washington), 14 December 2000.



As detailed earlier, day-use fees have the potential to raise substantial new revenue. Even State Parks' poorly designed flat \$3 parking fee can generate about \$10 million in net revenue. Far more revenue is possible with variable, market-based pricing. While it is essential that new fees enhance State Parks' budget, it is also vital that the Legislature and State Parks respect the anti-tax sentiment that Washington's voters have demonstrated repeatedly. Thus, the Legislature should authorize a measured increase in State Parks' budget, one that enables the agency to make significant, but gradual, progress toward eliminating its maintenance backlog.

The revenue potential of day-use fees is sizable enough to accommodate an appropriate budget increase for State Parks and a reduction in General Fund support.<sup>55</sup> By dedicating a share of new revenues to a budget increase and a share to replacing State Park's General Fund dollars, lawmakers would show faith both to park users and other taxpayers. As an example, lawmakers could dedicate, say, the first \$5 million in new fee revenues to enhance State Parks' budget and split all additional revenue equally between a budget increase and a General Fund reduction. Under such a split, \$15 million in day-use fee revenues would translate into a net \$10 million budget increase after a \$5 million decrease in General Fund support.

It is important to devise a system—like the above—that creates incentives for park managers to maximize fee collection even after initial goals are met. An example of a weaker approach would be to dedicate all of the first \$10 million to an enhanced budget and all additional revenues to General Fund reduction (because once the target goal is reached, park managers have little incentive to continue increasing fee revenues).<sup>56</sup>

Any decrease in State Parks' General Fund support should lead to a corresponding decrease in the state's Initiative 601 expenditure limit. The initiative requires a lowering of the limit when the costs of a state program are shifted from the General Fund to another source of funding.<sup>57</sup> In this particular case, the adjustment to the expenditure limit would ensure that new fees from park users are not used to support increased spending for non-park programs.

## **Privatization as a Necessary Part of the Solution**

How much of a budget increase is appropriate for State Parks? The question is unanswerable because State Parks has not yet demonstrated that it is spending its current dollars as efficiently as possible. As we discuss in the Washington Institute study, "Privatization Opportunities for Washington State Parks," the experiences of provincial park systems in Canada suggest that Washington State Parks could realize substantial savings by contracting out the operation of many of its parks.<sup>58</sup> With a serious consideration of the benefits of privatization and with its appropriate application (requiring a legislative exemption), State Parks would free up additional funding to meet its budget needs and would also strengthen its case for introducing day-use fees.

### **A. Privatization Can Improve Efficiency and Service**

<sup>55</sup> As State Parks becomes more reliant on park revenues rather than the General Fund, the agency's budget ought to include a prudent "rainy day" fund—in this case, a literal rainy day reserve. Park attendance is heavily influenced by weather, so a reserve is appropriate to make up for revenue shortfalls in "rainy" years.

<sup>56</sup> For further discussion of the importance of budget-based incentives and park management, see Hanson, "Toward a Self-Sufficient Park System."

<sup>57</sup> RCW 43.135.035(4). Legislation from the 2000 Second Special Session (EHB 3169) created a state expenditure limit committee to determine and adjust the limit (formerly a responsibility of the Office of Financial Management).

<sup>58</sup> The study presents an extensive analysis of the benefits of privatization as applied to Washington State Parks. It is available at [www.wips.org/Studies/PBParks.htm](http://www.wips.org/Studies/PBParks.htm).

Public officials around the country are increasingly turning to privatization as an approach to improve the delivery of government services. A government agency can often significantly lower its costs by contracting out a traditional government service to a private provider. Savings often result because private companies are disciplined to identify and implement efficiency improvements in order to remain competitive. Government agencies often face little or no competition and, therefore, their incentive to improve operations is less urgent. In a similar way, a properly designed and monitored privatization program can improve service. A competitive private market drives companies to identify innovations that will improve service delivery and distinguish the company from its competitors.

### B. Keeping Faith with Taxpayers and Park Users

As important as it is for the Legislature to assure park users that the new fees they pay will support the park system, it is equally important that the Washington State Parks and Recreation Commission commit to spending park users' and other taxpayers' dollars as efficiently as possible. Park visitors certainly want to see State Parks stretch its budget to permit more park improvements.

In recent years, Washington voters have passed several tax-cut measures, while also supporting initiatives requiring substantial increases in education and transportation spending. Though the initiative system does not require voter consistency across policy areas, or even within one area, it ought to require a faithful effort by legislators and the governor to fill in the policy gaps with solutions respectful of voters' fundamental messages. Voters' signals on tax restraint and spending priorities are clear enough. No intellectual contortions are required to infer that taxpayers expect their elected officials to take advantage of opportunities to improve government efficiency. They expect fundamental and substantial reforms, not the periodic dusting that characterizes current efficiency improvement efforts. Calls for increased efficiency may become even louder if Governor Locke proceeds with a plan to ask voters to approve a "massive" transportation-funding package.<sup>59</sup>

To keep faith with park users and other taxpayers, the Legislature should grant State Parks the authority to contract out park operations, and State Parks should use that authority to design a comprehensive privatization program.<sup>60</sup> As part of that effort, State Parks should carefully examine parks privatization in other jurisdictions, especially the successful reform of the provincial park systems of British Columbia and Alberta.<sup>61</sup>

### C. Provincial Park Systems of British Columbia and Alberta

Beginning in 1988, British Columbia Parks began using private-sector contractors to operate its parks. Within four years, the province had contracted out 100 percent of park maintenance and operations. In return for operating the parks, contractors retain all camping and firewood fees, plus receive an "efficiency payment" to cover additional operating expenses (like Washington State Parks, BC Parks does not currently charge day-use fees). Visitor satisfaction is high and the department estimates that contracting out has resulted in 20 percent annual savings.

<sup>59</sup> The governor's transportation plan is reported in David Postman and Ralph Thomas, "Locke Insists on Solutions," Seattle Times, 11 January 2001.

<sup>60</sup> The legal barriers to privatization in Washington state and the need for a legislative exemption are discussed in *Ibid.*, pp. 11-13.

<sup>61</sup> The following section summarizes the efforts of British Columbia and Alberta. For further details, including source citations, see *Ibid.*, pp. 15-20.

Alberta's provincial park system also makes extensive use of private operators, with more than 90 percent of its campsites maintained and operated by private-sector providers. Alberta restructured its park system in 1997 by identifying its core mission and redesigning its operations accordingly. The department first identified its four primary goals (preservation, heritage appreciation, outdoor recreation, and tourism), then classified each park within the system based on its contribution to those goals. The province focuses its resources on those parks that contribute to its preservation and heritage appreciation goals.

Alberta attempts to contract out recreation facilities at all of its parks, but the procedures and terms differ according to the park's role in the system. At its purely recreation-oriented sites, the department has eliminated supplemental payments to operators. Completely dependent on park revenues, private providers at recreation-oriented sites are given greater flexibility to enhance a site's economic viability through development upgrades. At preservation-oriented sites, private operators receive supplemental payments from the province, but they may propose only "low-impact" development upgrades.

Visitor satisfaction at Alberta's parks also remains high. The department's heavy reliance on private-sector operators has helped it withstand budget reductions, while at the same time increase the size of its parks network.

It is important to recognize that day-use fees can increase the effectiveness of contracting out. Neither British Columbia nor Alberta has entrance fees. Thus, the provinces must provide a supplemental payment to cover the costs imposed by day visitors, or, in the case of Alberta's recreation-oriented parks, the private company itself must cover the costs through camping or other revenues. With day-use fees, a private operator has another revenue source, which reduces or eliminates any need for agency supplemental payments, and the operator has direct incentive to improve service to attract more day visitors.

#### D. Contract Out Park Operations, Where Appropriate

Flexibility is important when designing a comprehensive privatization plan, just as flexibility is a virtue when establishing user-fee pricing and collection methods. No single fee collection method is appropriate for all parks; nor is the contracting out of operations suitable for all parks. For some parks, because of geographic remoteness or other characteristics, privatization may actually increase the costs of operation. Thus, a strategy that mandates contracting out in all instances is unwise. (This represents a shortcoming of BC Parks' approach.)

Many parks, however, are conducive to privatization. The Washington State Parks and Recreation Commission should evaluate each park in the system and, where appropriate, contract out park operations. By doing so, State Parks can realize substantial budget savings. To support this effort, the Legislature should grant State Parks the necessary contracting authority and establish budget incentives that reward the commission for savings realized through privatization.

### **Conclusion**

Solving the real budget problems confronting Washington's park system will require coordinated and comprehensive efforts by the Parks and Recreation Commission and the State Legislature. The following recommendations consist of complementary actions, each a vital component of a comprehensive solution to the problems facing Washington's state parks.

**Implement Day-Use Fees.** The Washington State Parks and Recreation Commission should continue with its plans to introduce park entrance fees.

Acknowledge Revenue Potential of Day-Use Fees. Current discussions of day-use fees vastly underestimate their revenue potential.

Design Differential Fees that Reflect Market Demand. A pricing structure (for both day-use and camping fees) in which fees vary according to visitor demand will generate substantially more revenue and operate as an important management tool. By dispersing congestion, differential fees can protect park resources and improve the quality of visitor experiences.

Maintain Flexible Pricing and Collection Methods. State Parks should avoid establishing one-size-fits-all pricing and collection methods. An individual park's characteristics and attendance patterns should determine whether or when a per-person or per-vehicle entrance fee is appropriate and how best to collect fees.

Ensure that New Fees Support an Enhanced Parks Budget. To keep faith with park users, the Legislature should assure park visitors that their new fees will support park improvements.

Commit to an Increased Parks Budget and Reduced General Fund Support. To keep faith with taxpayers, the substantial revenues from new fees should fund an appropriate increase in State Parks' budget, with additional revenues replacing some of the General Fund support for the agency (and leading to a corresponding reduction in the Initiative 601 expenditure limit).

Contract Out Park Operations, Where Appropriate. To assure park users and other taxpayers that State Parks is spending its dollars as efficiently as possible, the Legislature should grant State Parks the authority to contract out the operation of state parks. The resulting savings would help State Parks stretch its budget.

With these complementary actions, Parks and Recreation Commissioners and legislators can put an end to park-closure discussions and secure the future of Washington's state parks.

## **About the Author**

Jeff Hanson is an Adjunct Fellow of the Washington Institute Foundation. Currently in his first year at Cornell Law School, Jeff previously worked for the Washington Institute as a research analyst. Among the studies he authored are “Privatization Opportunities for Washington State Parks” and “Comments on the Preliminary Draft of the State of Washington Disparity Study.” He previously worked for the Evergreen Freedom Foundation and for the California Legislature. Jeff received a master’s degree in International Studies from the Claremont Graduate University in Claremont, California. He earned a bachelor’s degree in Political Science and Mathematics from Linfield College in Oregon.