

State of State Parks 2012

The quest for a healthy park system



A report to the state Office of Financial Management

*... state appropriations are provided solely to operate and maintain state parks as the commission implements a new fee structure. The goal of this structure is to make the parks system self-supporting. **By August 1, 2012, state parks must submit a report to the office of financial management** detailing its progress toward this goal and outlining any additional statutory changes needed for successful implementation.*

- *THIRD ENGROSSED SUBSTITUTE HOUSE BILL 2127
Passed Legislature - 2012 2nd Special Session
State of Washington 62nd Legislature 2012 2nd Special Session*

The Washington State Parks and Recreation Commission

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The State Parks Mission

The Washington State Parks and Recreation Commission acquires, operates, enhances and protects a diverse system of recreational, cultural, historical and natural sites. The Commission fosters outdoor recreation and education statewide to provide enjoyment and enrichment for all and a valued legacy to future generations.

The Commission's Centennial 2013 Vision

Washington's state parks will be premier destinations of uncommon quality, including state and regionally significant natural, historical and recreational resources that are outstanding for the experience, health, enjoyment and learning of all people.

State Parks Agency Core Values

- *A commitment to stewardship that transmits high quality park assets to future generations.*
- *A dedication to outdoor recreation and public enjoyment that welcomes all our citizens to their public parks.*
- *Support for one another as we translate our mission into reality.*
- *Excellence in all we do.*
- *Involving the public in our policy development and decision-making.*

Executive Summary

The State Operating Budget passed by the 2011 Legislature and re-affirmed in the 2012 Supplemental Operating Budget contains a proviso mandating that the Washington State Parks and Recreation Commission submit a report to the Office of Financial Management. The proviso directs the Commission to detail in the report its progress toward making the park system self-supporting and outlining any additional statutory changes needed for successful implementation.

Commission conclusions and intended actions outlined first in this executive summary and then more extensively in the main report are as follows:

- **The Commission believes that 100 percent self-support is not sustainable or desirable if State Parks is to satisfy its mission and meet statutory responsibilities.**
- **The Commission believes that State Parks' mission, its statutory and fiduciary responsibilities, and the very nature of its public purpose call for some substantial level of broad public funding as part of a "right mix" of funding for the park system.**
- **The Commission will ask for approximately \$18 million General Fund in the 2013-15 biennium, but may adjust that request if actual Discover Pass revenues vary significantly from current projections.**

It was the Legislature's intent that the Discover Pass, a new source of funding in 2011, would enable the agency to keep all state parks open and safe for public use. The Commission has met that intent up to now; though at real and painful costs to agency personnel, service level and stewardship obligations.

Here is the story of that effort and recommendations for the future:

- State Parks has ongoing statutory and fiduciary responsibility to preserve and nurture the state's natural and cultural legacy. On the 120,000 acres of land it manages, the Commission cares for 117 developed parks, 35 heritage sites, 13 interpretive centers and more than 700 historic structures; provides stewardship and interpretation for iconic geologic treasures such as prime Ice Age floods sites; cares for internationally known sites where our state's pre-history is preserved; and protects vulnerable habitats for species on the edge. Most importantly, State Parks provides places where people can learn about and enjoy the many natural, cultural and historic treasures in its care. The park system receives an estimated 40 million visits a year, of which approximately 94 percent are day visits.

- Washington state parks benefit state and local economies. A 2002 economic study indicated that visits to parks yielded a total annual economic contribution of \$1.1 billion and \$34 million in state tax receipts in 2000. The report found that overnight visitors spent an average of \$29.80 a day in communities surrounding parks, and day visitors spent \$15.70 a day. The Commission will ask for legislative support in updating that study, expecting that those economic contributions are much higher now.
- Transitioning from \$94 million in General Fund support in 2007-09 to \$17 million this biennium has been difficult. Moving from an “opt-in” vehicle donation program to an “opt-out” program in 2009-11 and then establishing the Discover Pass program this biennium were legislative efforts designed to make up for losses in General Fund support and propel the agency toward greater self-support. One-time fund transfers from other state recreational capital funds additionally helped cushion General Fund reductions.
- State Parks has taken bold and painful measures to reduce staff and costs. In 2012, 66 of 189 filled full-time year-round ranger positions were reduced to five- and eight-month seasonal positions, focusing services in the parks during the busy season. Overall agency staffing shifted from 595 permanent full-time employees in 2008 to 395 in 2012, and additional seasonal staff were hired to help provide services in parks. The agency has redirected staff toward revenue-generating activities and has reached out to partners to help provide services at less cost to the state.
- More than \$17 million in General Fund allocations and \$4 million in Aquatic Lands Enhancement Account one-time funding are slated to go away in 2013. **Without any changes in agency programs or revenues, State Parks would be looking at approximately \$42 million less in real dollars from a peak allocation of \$135 million (not including federal, grant and dedicated funds) in 2007-09.** This gap is projected to be partially made up with Discover Pass revenues and other fees for services, donations and partnership efforts. Cost-cutting measures include staffing and other spending reductions. But much uncertainty remains. The majority of State Parks’ budget now comprises revenues not yet earned, as opposed to actual dollars appropriated by the Legislature.
- Overall, Discover Pass revenues are less than 50% of those originally projected. The month-to-month variability of Discover Pass sales underscores the reality that State Parks’ finances are uncertain. The Discover Pass has no lengthy revenue track record, and multiple, continuously evolving variables will significantly affect outcomes.
- The legislative direction to explore financial self-support does not include capital expenditures. Because of the inter-related nature of capital replacement costs and facility

maintenance, State Parks must assume that full programmatic self-support is not an objective. This report addresses operational support only.

- **The Commission concludes that State Parks’ mission, its statutory and fiduciary responsibilities, and the very nature of its public purpose call for some substantial level of broad public funding that is shared by all Washingtonians. The goal of 100 percent operational self-support is unsustainable and undesirable because it leads to a distortion in the park system’s purpose.** Becoming fully self-supporting would require changes to system scope, mission and park operations that the Commission believes the public would simply not accept and the agency could not accomplish. However, State Parks need not and should not go back to previous levels of tax financing. The Commission recognizes there is value in accountability, transparency and efficient park management. State Parks embraces the incentive to develop new approaches to build financial stability and health.
- **The Commission will ask for \$18 million in General Fund support for the 2013-15 biennium.** This is based on analysis which projects moderate increases in Discover Pass sales. Just as the Governor and Legislature monitor and adjust budgets based on forecasts, State Parks will closely track actual Discover Pass revenues, and may update revenue projections and its General Fund request accordingly.
- **The Commission’s 2013-15 budget request assumes a reasonable and achievable improvement from the currently unsustainable service levels. Because of recent reductions to balance its budget, State Parks has lost valuable staff, skills and capacity; resulting in significant harm to legacy resources and visitor experience. The current service level cannot adequately meet the agency mission.**
- The Commission recognizes that the vast majority of its user and donor base is currently inaccessible. A concerted effort is warranted to explore how to better connect with that base and a strong State Parks Foundation is an important partner in that effort.
- In order for State Parks to become more self-supporting, the agency needs to understand and “meet the market” for recreation and stewardship services people are willing to pay for. People have to choose state parks from a broad array of recreation choices. The fundamental service provided by State Parks is public access to natural, cultural and recreational resources of regional or statewide significance. Its principal public sector competitors are national, state and local park systems.
- The National Park Service derives approximately ten percent of its revenues from entry fees and other fees for service. Every state park system in the country, except one, depends in part on general tax support or alternative dedicated revenue sources such as

lottery funds or endowment proceeds, to meet operating needs. During the economic and fiscal downturn, many states are struggling with less-than-sustainable levels of services. Local park systems and services vary, but there is no in-state example of a self-supporting park system that provides services comparable to those provided by Washington State Parks.

- Private-sector campgrounds and other private recreation providers generally do not provide stewardship services for natural and cultural resources. They compete with state parks in camping but have a wholly different cost and service model.
- For State Parks to become more self-supporting, the state must bear the costs of State Parks' legislatively mandated mission and programs that do not, on their own, generate revenues. Examples of visits that are discounted or exempt from certain fees include:
 - Visitors to Seashore Conservation Area (ocean beaches).
 - Day visitors to more than 20 marine parks as well as those who visit any park by bike, boat, public transit or on foot.
 - Disabled veterans, limited-income seniors, foster families and disabled persons who qualify for free or discount passes through State Parks.
 - Tribal members exercising treaty or executive order rights are exempt from fees.
 - Public school groups or any visitor with an exempt motor vehicle license plate gets in free.

The Commission does not ask that the above services be eliminated – only that the state should cover their costs through budget appropriations.

- The historic preservation needs of Washington State Parks have not been calculated. Washington State Parks has the largest collection of historic buildings, artifacts and other resources among state agencies. Many of its historic buildings are officially listed on the National Register of Historic Places, and the Washington Trust for Historic Preservation recently listed all Washington State Parks historic properties as “endangered” due to reductions in funding support.
- **What happens if State Parks' General Fund support and Discover Pass revenues are significantly below requests and projections?** The Commission cannot provide a specific answer to this question and does not want to convey either a premature sense of security or alarm. It is clear that some significant decrease in services would result, compromising virtually all aspects of the public asset that is Washington State Parks. The Discover Pass creates a new dynamic where all parks generate revenue – so the

traditional option of closing parks to balance the budget would be counter-productive. In the event that the state park system suffers further budget setbacks, the Commission would need to grapple with the scale of a system reduction based on financial realities and a complex set of operating factors.

- The Commission acknowledges that it needs the right data and modern analytical tools to produce a detailed definition of agency need. State Parks is taking action on this deficiency by reprioritizing work this biennium and providing in the 2013-15 proposed budget necessary data-gathering and management resources. The agency is working to develop a maintenance management program and in the next two years will work to derive a baseline level of operations funding needed for 2015-17 and beyond.
- This report contains initial proposals for request legislation in the 2013 session to assist the agency in its Transformation Strategy as it moves to a more self-supporting model. As work continues on the Transformation Strategy, there may be additional proposals for consideration. Here are the initial proposals:
 - Link statutory fee exemptions with General Fund appropriations.
 - Provide Commission authority to enter into longer-term real estate *leases*.
 - *Broaden* Commission authority for donor recognition and advertising.
 - Expand State Parks Foundation authority to raise funds for a wider range of purposes.
 - Require a report, by August 2014, from the Commission to OFM, identifying specific steps the agency is taking to increase revenues, reduce expenditures, engage volunteers and partners, and generally transform itself toward a more sustainable and healthy, financing and programmatic future.
- Request the Legislature to direct the Joint Legislative Audit Review Committee (JLARC) to complete a study of the economic benefits of State Parks.
- Looking ahead, an optimum Parks operating financing model will be driven by the agency Transformation Strategy and legislative support, will compose a “right mix” of funding:
 - Public Financing (general tax dollars) to pay for essential responsibilities and legal and statutory obligations; intergovernmental responsibilities and costs; legislative fee waivers.
 - User Financing (user fees for service and recreational use taxes), including dedicated funds for special recreation programs.
 - Charitable Financing and Partnerships (including Foundation contributions, donations and grants.)

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The Report

This report provides a broad context to address the specific question referenced in the proviso language. While the Washington State Parks and Recreation Commission works to transform its culture toward efforts that help sustain the park system financially, the Commission and agency will hold tight to core values. State Parks will continue to provide high-quality outdoor parks and recreation experiences for the public, while protecting the natural, cultural and historical resources so integral to Washington's past and future.

Financial uncertainty puts State Parks legacy at risk

For more than 99 years, Washington's state park system has linked people to their natural and cultural heritage, providing an essential spark to the quality of life in our state. With 117 developed state parks and properties on ocean shores, mountain tops, old-growth forests, rocky islands, shrub-steppe dry lands, river gorges and habitat-rich streams, Washington has one of the largest and most naturally diverse park systems in the country.

The Washington State Parks and Recreation Commission embraces its ongoing *statutory and fiduciary responsibility* to preserve and nurture the state's natural and cultural legacy. On the 120,000 acres of land it manages, the Commission cares for 35 heritage sites and 13 interpretive centers and more than 700 historic buildings; provides stewardship and interpretation for iconic geologic treasures such as prime Ice Age floods sites; cares for internationally known sites where our state's pre-history is preserved; protects vulnerable habitats for species on the edge; and last, and most importantly, State Parks provides places for people to learn and enjoy all the splendors under its stewardship. The park system receives an average estimated 40 million visits a year, of which approximately 94 percent are day visits.

Not unlike other park systems throughout the country, Washington State Parks, with all the wonders, treasures and the benefits it provides to citizens, continues to find itself on unstable financial ground. Washington State Parks has been struggling for decades to deal with the challenges of fluctuating budgets and no long-term stable funding mechanism.

Recognizing the state's continuing population growth and increased demand on its state park system, the Washington State Legislature in 2000 authorized the creation of a private, non-profit organization to build wide-ranging support for state parks. Since then, the Washington State Parks Foundation has helped fund a significant number of projects and programs that provide enhanced park experiences for people of different ages, interests, backgrounds and abilities. Now

the Foundation, along with State Parks, must transform itself to respond to the reduction in operating support for Parks. The past three state budget cycles span a recession that has put the state park system on especially tenuous ground. Between 2007 and the present, the park system in Washington has been shifting rather rapidly from a funding model where the agency is provided money from citizen taxes, to a system dependent on user fees and donations. Legislative “spending authority” cannot be spent until it is earned, and it is the agency that now must earn it.

The latest addition to the new fee structure, the Discover Pass, was signed into law in 2011. Revenues from the pass were intended to replace General Fund tax dollars to cover the cost of continued operation of state-managed recreation lands. In the context of a deep economic recession, these lands would no longer be available to the public without a user fee.

The Discover Pass, set at \$30 annual (\$10 daily), provides visitors daytime access to state parks as well as access to trails, wildlife and natural areas, heritage sites and water-access points managed by the Washington Department of Fish and Wildlife (WDFW) and Washington State Department of Natural Resources (DNR).

The Proviso and a question: Can the state park system be self-supporting?

A 2012 budget proviso passed by the Legislature and signed into law by the Governor states that the goal of the new Discover Pass fee structure is to make the park system self-supporting. The Discover Pass was envisioned by lawmakers to generate the largest portion of the agency’s operating budget. This user-pay access pass represents a bold departure from traditional State Parks funding. It offers a partial solution for agency financing but also creates challenges.

State Parks response to the funding situation has been to carry out a drastic reduction and restructuring in 2012 – in order to keep parks open.

This report describes State Parks’ recent efforts to raise revenues and cut costs. It analyzes the market for parks and recreation services and characterizes the agency’s current fiscal gap. Within that context, the report also addresses the central question posed to the agency by the Legislature:

“Can Washington State Parks ever be financially self-supporting – and if so, what help will be needed from the Legislature to get there?”

The short answer to the self-support question is, “*No, not entirely.*”

However, the Commission believes that State Parks need not – and should not – go back to previous levels of tax financing.

State Parks needs “right mix” of funding

The goal of 100 percent operational self-support is unsustainable and undesirable. A stable and durable self-supporting state park system is unprecedented and in the Commission’s view, unachievable. It would require changes to system scope, mission and park operations that the Commission believes the public would simply not accept and thus the agency could not accomplish. However, there is much value, in terms of accountability, transparency and efficient park management, in continuing efforts to raise new revenues.

The agency’s mission and the Commission’s Centennial vision both address two different parts of State Parks’ responsibility to citizens:

- Stewardship and protection of resources, from which everyone benefits regardless of whether they use parks;
- Parks and recreation services and programs that directly benefit those who visit and use parks.

An ideal state parks financing system would promote the maximum sustainable public use of parks, recreation, education and stewardship services at the least cost to the general taxpayer. The most practical approach is a mixed financing system. It should not be a surprise that all state park systems throughout the country have a mix of public and private, broad-based and dedicated, and user-supported and public-supported financing elements.

The Commission is committed to making the Discover Pass fee program as successful as possible. However, the Commission concludes that the new fee structure will not, on its own, sustain the park system over the long term. **A combination of user fees, ongoing General Fund support and new revenue-generating activities, to be outlined in a comprehensive agency Transformation Strategy, will ensure a healthy park system moving forward.** This report explains the reasons behind the Commission’s conclusion.

The “Transformation Strategy” that State Parks is in the midst of defining and implementing, will consist of an assortment of business practices and needed changes in agency culture. Activities outlined in the Transformation Strategy include explorations of new revenue sources, enhancement of technology, greater leveraging of partnerships and the potential for sponsorships. All of these are intended to build financial stability, increase public participation and support, ensure services remain relevant and high-quality and build capacity to care for the legacy of natural, cultural and historical resources in the Commission’s charge.

This report outlines steps the agency has already taken in that regard and the steps that lie ahead. It may very well be that some steps may be found undesirable by the Legislature and public. They may be a “bridge too far.” With that possibility in mind, this report also outlines options for public taxpayer support that the Legislature may choose for the short or long term.

A note about capital facilities funding:

The legislative direction to explore financial self-support does not include capital expenditures. Because of the inter-related nature of capital replacement costs and facility maintenance, State Parks must assume that full programmatic self-support is not an objective and that the assumed goal applies only to operations.

This assumption is quite significant from both an operating and capital perspective. The choices the agency makes in capital investment can have profound effects on operating costs and revenues. Additionally, lack of adequate operating investment in normal maintenance and repair can cause minor low-cost maintenance problems that, without treatment, become expensive capital costs later.

Historically, the Legislature and agency have explored the use of Certificates of Participation (COPs) to allow State Parks to “self-finance” capital improvements by pledging a stream of operational revenues for that purpose. The new goal of maximizing self-support of the operating budget makes such a strategy much less attractive.

The Commission also is aware of its responsibility to provide for the future through appropriate land acquisition, to address the needs of a state that continues to grow in population and shrink in open space.

Sharp General Fund declines since 2007-09 create greater uncertainty

State Parks has gone through a radical change in its financing base just in the last five years. For decades, General Fund revenues comprised the largest percentage of agency operating funds, at 60 to 80 percent. Even with fluctuations in General Fund, it is important to note that these allocations came to the agency as “real money,” legislatively appropriated funding that could be relied upon when planning expenditures.

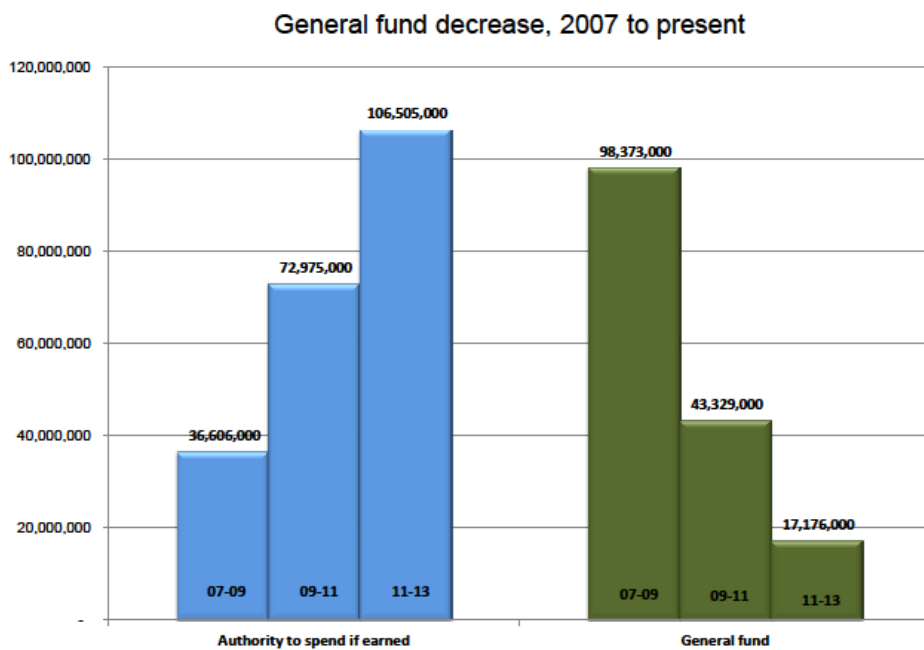
In 2007-09, State Parks received about two-thirds of its \$135 million total budget (not including federal, grant and dedicated funds) from General Fund dollars, and only about one-quarter in projected revenues from fees for services such as camping, watercraft launching, moorage and non-recreational leases and concession income. About 10 percent of the State Parks budget was federal and grant dollars for dedicated programs.

In 2009-11, with the recession in full swing and state tax revenues on the slide, the agency’s General Fund allocation was reduced to 30 percent of total budget. The expectation to raise fee revenues increased to 40 percent. The Legislature changed a previously existing “opt-in” donation program tied to state vehicle licensing registration so that it would be an automatic \$5 “opt-out” program. This was seen as a “call to action” to the public to assist State Parks in generating revenue to keep parks open. One-time Non-motorized Off-road Vehicle Account

(NOVA) moneys and recreational boating facility capital funds were transferred to State Parks to mitigate part of that shift in funding. These fund transfers were made in the face of strong opposition from recreation groups that eventually sued the state for the transfers (legal decision still pending.) Still, the biennial budget was reduced by more than \$10 million.

In 2011-13, State Parks’ General Fund allocation plummeted to 12 percent of total budget. The new Discover Pass was adopted, and the donation program was retained to help replace General Fund dollars for State Parks operations. Another capital program fund, the Aquatic Lands Enhancement Account, was transferred to Parks, providing \$4 million on a one-time basis. Still, another approximately \$10 million in real reductions to the budget was necessary to assure balance between revenues and costs.

The following graphic emphasizes the budget shift at the heart of State Parks’ uncertain financial situation. In particular, the graph highlights the dramatic decline in General Fund allocations (“real dollars” that can be relied upon in planning expenditures) and the corresponding dramatic increase in expectation to raise revenues from fees and donations – expressed in the budget as “spending authority” (dollars as yet unearned.)



The amounts shown in this bar chart do not include federal or grant pass-through funds or one-time funding.

DISCOVER PASS AND THE OPERATING ENVIRONMENT

New access pass shifts Parks operation toward fee-for-service

The Discover Pass originally was projected to raise \$64 million in revenues during the 2011-13 biennium – with 84 percent (\$54 million) going to State Parks and 8 percent each to DFW and DNR to operate the recreation lands under their management. The law creating the pass was enacted in May 2011, and the three agencies worked fast to implement the program and all its components – signage, informational websites, accounting and computer infrastructure, printing, rules and procedures – within five weeks of bill signing.

On July 1, 2011, a sunny Friday in Washington, the Discover Pass was launched. Parks were open and ready for visitors. On that same day, e-mails from other states were communicating their own park system struggles and threats of closure. The Washington team – State Parks, DFW, DNR, the Legislature and the Governor – had worked together on a hopeful solution.

Because of the short timeframe for the launch and little time to educate the public, people showed up in parks in those early weeks knowing little or nothing about the new pass requirement, and rangers, park aides and volunteers were dealing with crowds lining up to ask questions and buy their passes. DFW's Washington Interactive Licensing Division (WILD) system, already operating for a decade, was the first best option to get the pass into the hands of recreation users. Customer service people were straining to deal with demand.

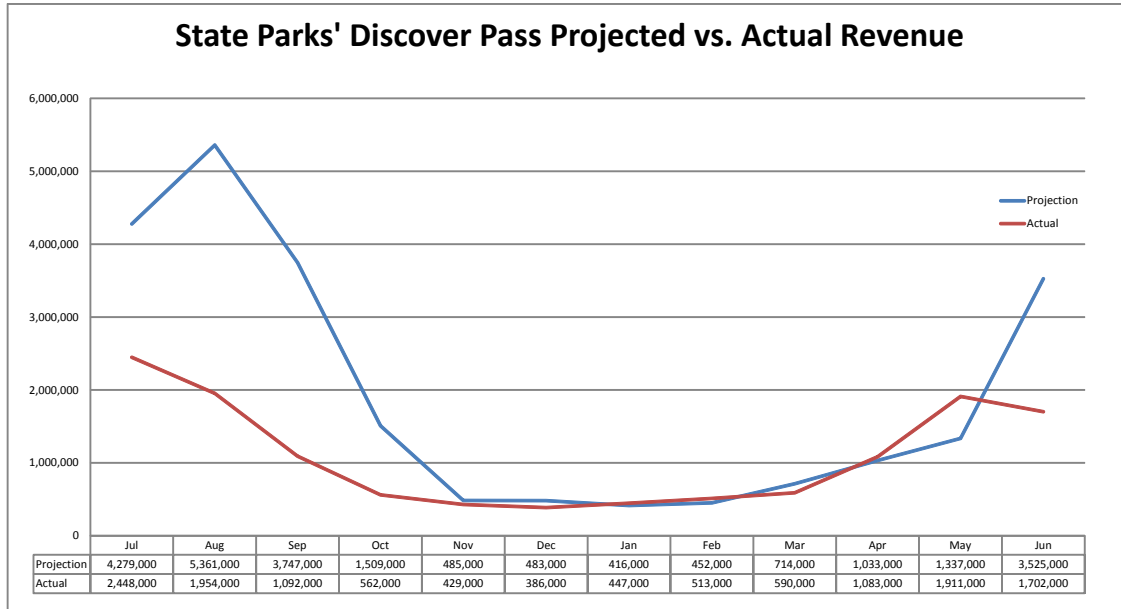
It was a tough and demanding summer as the three agencies continued to coordinate logistics, public information and media outreach to educate people about the pass. Parks staff everywhere stepped up efforts to sell the pass in parks, despite their lower numbers due to earlier staffing reductions.

With no sales trends to go on, the fall of 2011 was a period of uncertainty for the agencies monitoring pass sales – but especially so for State Parks, because of its heavy reliance on the new revenue for basic operations. Revenues continued to come in short of projections. By November, it was clear that the agency could not make up for the shortage in revenue from the previous five months and would need to move swiftly to re-project revenues and make reductions in order to balance its budget and keep operating in the black.

The first projections were made with no sales trend information to go on. New projections were made in November 2011. Since then, monthly receipts have met or exceeded projections until June 2012, when revenues declined sharply from a high in May. This anomaly illustrates the month-to-month variability of Discover Pass sales and underscores the uncertainty of State Parks' budget. For the next several years, revenue forecasts for agency earned income will lack certainty, because of continuously evolving variables that can affect outcomes.

The graph below compares State Parks' Discover Pass projections and actual earnings. The gap between projected and earned revenues through November 2011 has been addressed through the 2012 restructuring and reductions outlined later in this report.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2012
Projection	4,279,000	5,361,000	3,747,000	1,509,000	485,000	483,000	416,000	452,000	714,000	1,033,000	1,337,000	3,525,000	23,341,000
Actual	2,448,000	1,954,000	1,092,000	562,000	429,000	386,000	447,000	513,000	590,000	1,083,000	1,911,000	1,702,000	13,117,000
Actual vs Projection													56%



In order to project Discover Pass revenues for the 2013-15 budget request, State Parks borrowed the approach used by the State Revenue Forecast Council and created three outlooks, as outlined below. Note figures are for State Parks revenues only (84% of total), not the entire program.

1. Conservative projection: This approach would keep Discover Pass collections at current projected 2011-13 levels. (\$33 million)
2. Middle-of-the-road projection: This approach would increase Discover Pass projections from current projected level, due to marketing, transferability between two vehicles, and generally increased public acceptance. (\$43 million)
3. Optimistic projection: This approach would base the Discover Pass projection on the Washington State University survey conducted in 2011. (\$54 million)

Because there is only one year of data available as a guide, the optimistic projection was deemed too risky. The Commission adopted the middle-of-the-road forecast, projecting a

\$9.7 million revenue increase from the Discover Pass over the current biennium projection. It also is projecting \$3.1 million in additional revenue from other fund sources, as outlined in the chart below. Assuming current staffing levels, if the agency did not receive any General Funds in 2013-15 but did meet revenue projections, there would be a deficit of approximately \$3 million. If the conservative projection was used, there would be a deficit of \$13 million. There is still risk associated with this middle approach, considering that current biennial revenue projections have not been consistently met.

Just as the Governor and Legislature monitor and adjust budgets based on forecasts, State Parks will closely track actual Discover Pass revenues and update projections. If significant differences in trends emerge, the agency may adjust its General Fund budget request accordingly.

State Parks' Revenue Projections – All Types				
Revenue Type	2011-13	2013-15	Change	Percent Change
Discover Pass	33,200,000	42,900,000	9,700,000	22.6%
Donations	15,500,000	16,000,000	500,000	3.1%
Infractions	600,000	1,200,000	600,000	50.0%
PRSA	43,000,000	45,000,000	2,000,000	4.4%
TOTAL	\$92,300,000	\$105,100,000	\$12,800,000	12.2%

State Parks takes quick action in 2012 to keep parks open in face of shortfall

Because State Parks spends about 85 percent of its operating dollars directly on the ground to operate parks, significant budget reductions in the past have led to the possibility of park closures. But the new Discover Pass changes this dynamic. Recreation users now must pay out of pocket to access parks, and State Parks depends on these out-of-pocket fee revenues to keep operating. The Commission fully understood the new dynamic as it began to grapple with the realities of balancing its budget. Closing gates would undermine both access and the pass sales that ensure access. Closing parks potentially would start a cascade of events: Closed parks, loss of trust by the public, loss of support, fewer paying customers, even less money to operate, more parks closed. To a certain extent, this very same dynamic would be in place even with the notion of transferring parks to another government that would not honor the Discover Pass. The Commission understood that success of the Discover Pass program relies on the public purchasing access to a *system* of parks.

Given this new dynamic and lessons learned from previous reductions, there seemed only one choice for the Commission as 2012 approached: Keep parks open by restructuring, reorganizing and shifting to a more seasonal staffing model.

It would be a drastic move for State Parks but one that would be in alignment with the greater reliance on fees – to assure staffing when customers (visitors) show up in the greatest numbers. The plan would be to do what was necessary to balance the budget and keep parks open, while working to build revenue through the Discover Pass and continuing to explore new ways to earn revenue and support.

To mitigate reductions as a result of a net \$10 million-plus shortfall from agency revenue, the Commission authorized spending of \$4.5 million of agency reserve funds. This reduced agency reserves to the minimum of two months' operating cash as required by OFM and the State Treasurer. This lower reserve was uncomfortable, given the uncertainty of a budget so heavily reliant upon revenues not yet earned – but it was imperative in order to retain enough staff to keep parks open. State Parks moved quickly to make approximately \$6.5 million in reductions. Delay was not an option; to delay would widen the gap between cost and revenue by an average of \$750,000 a month, resulting in deeper cuts, more layoffs and possible park closures later.

To grasp the difficulty of the 2012 reduction, it is important to understand that State Parks already had made significant reductions during the previous two years. Reductions made in 2009 included savings by transferring parks to other governments willing and able to keep them open (Wenberg, Osoyoos, Fort Okanogan, Fort Ward and Fay Bainbridge state parks). The agency eliminated its Puget Sound Region operating unit, going from four to three regions and then closed its Southwest Region Office, relocating region staff to the Parks headquarters building to make additional savings. The order of further reductions was done in a priority that cut headquarters staff first, then regions and finally the field – with the result that 20 percent of headquarters staff, 20 percent of region and about 6 percent of field staff were reduced in 2009 and 2010.

A main principle behind the 2012 cuts was to restructure field management and shift to a more seasonal staffing model in parks, with the goal of keeping as close to 2011 staffing levels as possible during peak use times. This would provide a better chance of meeting visitor demand during the high season but would mean less staffing – and less maintenance being done – in the quieter season. Here are the specific 2012 reductions on the operations side of the agency:

- Eliminated 7 management positions, including removal of a management layer in regions – and replaced with 6 less expensive positions closer to the ground.
- Reduced 66 of 189 filled full-time permanent year-round ranger positions to seasonal (five- to eight-month positions).
- Eliminated 16 of 76 filled full-time permanent year-round construction-and-maintenance positions.

- Eliminated 24 filled full-time permanent staff positions at headquarters and region offices.
- Increased the number of non-permanent positions to help in the parks.
- Reorganized and reassigned many remaining central staff to build capacity for revenue generation.
- Consolidated maintenance and construction management in parks.
- Additional losses in capital program staff.

As the result of reductions made between 2008 and the present, the agency has decreased the number of full-time employees from 595 to 395 and has hired additional seasonal employees to help in parks.

Such drastic changes carry obvious and immediate risk. Many staff with deep institutional knowledge and specialized skills are no longer with the agency, leaving holes in agency capacity and remaining or reduced-time staff with new jobs to learn and heavier workloads. In the field, some career rangers could not survive financially on the new seasonal salaries; 22 park rangers and six construction and maintenance specialists have left State Parks service, taking with them knowledge of parks, infrastructure, resources and law enforcement.

Throughout the agency, service capacity as a result of these reductions remains a major concern. A significant aspect of the reduction in the field is the loss of capacity to perform maintenance, particularly in the winter months. Maintenance deferred usually results in higher costs from the operations budget later – or worse, over time can necessitate an expensive capital fix later.

Many of the park facilities were built decades ago and are now antiquated, expensive and difficult to maintain. Improvements are needed in many areas, including water, storm water and sewer systems; regular and utility campsites; historic structures; old-fashioned vault toilets, and outmoded restrooms. There are hundreds of examples, and they are everywhere in the park system. The recent operations reductions exacerbate these problems.

Direct public service levels have gone down. With staff reduced and diverted in part to collection and enforcement of the Discover Pass program, basic operations like cleaning restrooms, mowing lawns, and picking up litter have been reduced. Increased public complaints are a real, and predictable, effect. With people now paying directly for access and use, they are demanding more, not less service, and in many ways they are simply not getting it.

For all the reasons noted above, the operating status of State Parks in 2012 is not sustainable.

A note about the 2012 Supplemental Budget: ALEA Funds

Staff reductions also have been made on the capital side, negatively affecting the agency's capacity to make necessary improvements and upgrades to infrastructure and facilities that are

essential to the quality of the visitor experience. This is an important dynamic, especially at a time when operating stability depends so much on the public continuing to choose state parks.

In recognition of the challenges faced by the Commission this biennium, the Legislature shifted \$4 million from the Aquatic Lands Enhancement Account (ALEA) to help State Parks get by while it continues its quest to become more self-supporting. In a June 18, 2012 special meeting, the Commission approved the use of these one-time funds to help the agency fill some pressing operations gaps – including additional park aide hires to help rangers, staff to collect revenues in the parks, and staffing to help deal with increasingly more urgent forest health issues. Other uses of these funds would be emergency equipment replacement, energy improvement upgrades, data gathering, and deferred and preventative facilities maintenance, as well as some small Centennial 2013 improvement funds to be used in specific parks.

A commitment to success: Agencies improve and refine Discover Pass

In the early months of the Discover Pass, the sister agencies and Legislature heard many comments from people expressing that they support the Discover Pass but wanted more flexibility in using the pass on different vehicles. The agencies and Legislature listened, and a new law this year allows Discover Pass holders to use their pass on either of two cars. An autumn 2011 public survey indicated that this significant change in the program to provide this new flexibility to the public would result in greater participation and increased revenues.

Another source of optimism with the Discover Pass is the increasing number of sales through the Department of Licensing (DOL) vehicle registration process. The Legislature initially included the DOL platform as the principle sales mechanism for the Discover Pass, and DOL was able to get the platform up and running for October 2011 renewals. Vehicle owners can buy the Discover Pass when they renew their license tabs, either online or at a licensing counter. Sales through this platform have been increasing steadily every month, from \$171,810 in October, to \$539,640 in June 2012. This bodes well for the Discover Pass because it indicates that more vehicle owners are likely to develop the yearly habit of renewing their license and their Discover Pass at the same time. DOL partners have been responsive and supportive in providing this public service convenience.

Other improvements and activities that likely will help sales include:

- Expanded State Parks online and multi-media marketing efforts now under way
- Improvements in Discover Pass delivery, including addition of automated ticket dispensers (currently a pilot program) in select state parks
- Increased enforcement efforts by the three agencies to ensure compliance
- Promotion of the Discover Pass as a gift option
- Work scheduled for 2013 to create a fully transferrable Family Pass
- Work with events and partner and friends groups selling and promoting the Discover Pass
- A Discover Pass business plan created by the three agencies

A note about the Donations program

In the 2011-13 budget, the level of donations from the public through the \$5 donation tied to Department of Licensing vehicle registration (also known as “opt-out” donation program) was expected to fall to \$10 million for the biennium because of the new Discover Pass requirement. However, in the first year of the biennium, the program yielded \$8 million. If that trend were to continue, it could lead to \$16 million for the current biennium. The unexpected higher donation levels have helped State Parks address current challenges. It is, of course, unknown whether the present donation trend will continue.

Discover Pass marketing effort focuses on the value and benefits of parks

In the past few months, State Parks has embarked on an exciting new marketing effort geared toward selling the value of state parks and increasing Discover Pass sales. With a new marketing coordinator in place and a contract for services with a professional marketing public relations firm, in May, State Parks launched a new storytelling blog site, www.AdventureAwaits.com,

The site invites readers to share stories, pictures, videos and excitement about the state park system. www.AdventureAwaits.com provides trip-planning ideas, tells about parks and recreation options people may not know about and links to the State Parks website for more detailed information about park sites, events, interpretive centers and historic areas, as well as reservations and online purchasing of the Discover Pass.

Starting in fall of 2012, the marketing effort also will include online, radio and other advertising media to encourage the use and enjoyment of parks and to increase Discover Pass sales. The Commission has expressed excitement about the agency’s new marketing efforts and expects they will produce results.

Currently, the agency is working with a well-known Seattle car dealership on a Discover Pass promotion that markets directly to dealership customers as well as through radio and TV advertising. Additional outreach promotional efforts are in the works, as we pursue discussions with Washington companies and organizations who want to align with State Parks for mutual benefit.

Marketing of this magnitude is new to State Parks, and the challenge will be both in identifying the funds to keep it up, and in demonstrating its bottom-line success. Marketing through traditional media is expensive, so primary efforts have been centered on economical approaches that build on social media and connect when possible to more traditional marketing tactics and promotions with partners. Because the Commission understands the agency has to spend money to make money through marketing, some of the ALEA funds provided during the 2012 supplemental budget will be used for this purpose.

The focus of all marketing efforts is in selling the value of state parks – both to those who already know and use the parks and to those who may be enticed to try something fun and different. State parks offer something for everyone.

Washington's state parks provide public access to our state's extraordinary natural, cultural and historical resources, but the other benefits often expressed by visitors are compelling and important to note.

Park visitors cite personal health, a sense of well-being and education and enrichment among the top benefits they experience. Parks are places where families connect, where individuals gain respite from a stressful world, where people pursue health and find spiritual connection.

State parks are an important aspect of the Washington culture and lifestyle. State parks are everywhere in people's family photo albums. They are settings for reunions, birthday parties and family fishing trips. People choose state parks as the place to get married, to hold Quinceañeras, retirement parties, and all kinds of other important life events.

State parks also benefit those who don't use parks. Individual donors express the notion of parks for the public good when they send contributions, and members of local communities talk about parks being essential to their local economies.

A 2002 study of State Parks' economic impacts on the state indicated that visits to Washington state parks yielded a total annual contribution of \$1.1 billion and generated \$34 million in state tax receipts. Though the report is now ten years old, it is still considered a relevant expression of parks' economic benefits to the state. It stated that in 2000 every overnight visitor to a state park spent an average of \$29.80 a day, and each day visitor spent \$15.70 a day for dining out and food purchases, recreation and transportation in the community near the park. Those figures are likely greater now. State Parks has plans to update the report in the near future.

The Washington state park system includes more than 100 developed parks, several interpretive centers, trails, historic areas and statewide programs such as boating safety and winter recreation. It's a broad mission.

With the Discover Pass in place, State Parks has had to educate the public that their taxes no longer are sufficient to provide access and services and that the system currently depends on support from user fees to continue. Ensuring public support means educating about the value of parks to people and the many opportunities available to enjoy, including:

- **Parks in every eco-region:** Washington is one of the most ecologically diverse states in the nation, with nine eco-regions and state parks in each one.
- **Evidence of the Ice Age:** You can see evidence of epic Ice Age floods that carved our state's landscapes 15 million years ago at Sun Lakes-Dry Falls, Gingko Petrified Forest, Potholes, Steamboat Rock, Palouse Falls, Yakima Sportsman and more.

- **Learn state history in state parks:** State parks are locations where important events took place. Lewis and Clark, marine history and a look back at history of the world wars all are available in state parks. Heritage areas and interpretive centers draw many visitors.
- **Our state parks are well-known** among national and international recreationists. Climbers love Peshastin Pinnacles; wind surfers journey to Maryhill and Spring Creek; equestrians trailer up to visit the John Wayne Pioneer Trail. Boaters of all kinds enjoy touring the San Juan Islands, and kayakers and canoeists enjoy exploring the Cascadia Marine Trail and Columbia River water trails.

New access pass dynamic: Discover Pass efforts must engage day users

The Discover Pass creates a substantial paradigm shift for State Parks as purveyor of services. For decades, the only park users charged park fees were those paying for camping and other overnight stays and boat moorage. Of the estimated average 40 million visits a year, overnight visitors generally make up only about 6 percent of total visitation – while roughly 94 percent of visits – daytime visits – generated little direct revenue toward the operation of the park system. The Discover Pass changes this dramatically; now most visitors must pay out of pocket to enjoy services within state parks.

How does this change the picture for State Parks? It means that, in addition to keeping parks open, it is imperative that the Commission keep parks maintained and cared for to a standard that inspires people to visit. Enhancing the day visitor experience means everything in a funding environment depending on user-fees associated with day visits. In order for State Parks to be successful, people must continue to choose parks. The paradox is that, in a time of restricted funds, State Parks must now, more than ever, focus on providing quality and offering new visitor experiences.

Toward that effort, State Parks is doing its best to leverage grant and operational funding to bring the vibrancy of Washington’s diverse cultural heritage into state parks. For the past few years – but especially with the advent of the Discover Pass, the Commission, with the help of the State Parks Foundation, is taking initiative and using creativity to turn parks into venues for cultural celebration and entertainment, as appropriate. The American Roots Music Series at Deception Pass, Kenmore Concert Series at St. Edward, Waikiki Beach Concert Series at Cape Disappointment, Centrum Arts at Fort Worden and the Peace Arch International Concert Series, are just a few of the many cultural opportunities being provided in state parks.

State Parks works to understand its market

In order to understand the challenge of moving toward greater self-support, State Parks must understand its “market niche.” If State Parks is to operate to a greater degree like a public enterprise, who and what are its market competitors? How are they able to operate and “compete” for people’s attention and for revenues? What do their experiences and situations tell us about the feasibility of a self-supporting park system?

First, a brief description of State Parks' services is necessary. The agency offers general public access to outdoor recreation as a principal service. Day visits comprise the vast majority of visits, with the remainder being visitors using overnight accommodations – principally standard and utility campsites, vacation houses and cabins and yurts with access to potable water and comfort stations (flush toilets). State Parks offers a setting for these activities within sites of statewide and regionally significant natural, cultural and scenic resources.

Market competitors

Federal Government

The principal providers of services similar to Washington State Parks are the National Parks Service (NPS), Bureau of Land Management (BLM) and United States Forest Service (USFS). The United States Fish and Wildlife Service, Bureau of Reclamation and U.S. Army Corps of Engineers also have public recreation lands. These agencies offer access to day-use facilities and resources on significantly larger land bases than state parks, and the resources in general are of higher caliber. They also tend to be farther from urban areas with some exceptions. Camping is more rustic than in state parks, while lodgings tend to be more grand and comfortable.

The vast majority (more than 90 percent) of the \$3 billion-plus in operating funds for NPS comes from appropriated funds. Approximately \$190 million is from earned income. Where there are park entry fees, parks retain 80 percent of their earnings, and the remaining 20 percent is shared among units without entry fees. The USFS has a \$30 annual Northwest Forest Pass for access to sites in Washington and Oregon. BLM and other land management agencies participate in the National Parks and Federal Recreational Lands Pass program, which charges citizen access fees of \$80 a year (\$10 lifetime for those 62 and older.)

Other States

Each state has a unique approach to defining its state park system, with varied organizational configurations (e.g., whether it includes fish and wildlife areas, off-road vehicle sites, backcountry recreation, etc.), and different system sizes. Most, but not all, states are experiencing budget strains on their park systems. Following are some examples:

- **Idaho State Parks:** With approximately 26 parks and two million visits a year, in comparison to Washington's 117 parks and 40 million visits, Idaho has a much smaller system. The state recently amended its annual passport program to charge \$10 per vehicle day access for state residents (\$40 for out-of-state residents) to all Idaho state parks. The passport provides a \$5-a-night reduction in camping fees. Idaho's General Fund contribution is \$1.4 million, down 80 percent from previous years.
- **Oregon State Parks:** The Oregon system provides a broader range of services, including the state fair and some highway rest areas. Oregon's overall budget is more

than \$200 million a biennium, of which \$80 million comes from dedicated lottery funds. Oregon also requires a \$30 annual day use access pass, but not all parks require the pass.

- **California State Parks:** The largest state park system in the country recently considered closing 70 parks, a situation averted by developing donation agreements to subsidize operations. Though recent news reported a finding of \$50 million-plus in hidden reserves, the point here is to describe the structure. Following budget cuts, the agency now receives 29 percent of its operating budget from General Fund, a 37 percent reduction from five years ago. California has an active foundation and a universal day-use access fee program that costs more than \$100 a year per visitor for universal access.
- **Michigan State Parks:** The Michigan system has a \$10 “opt-in” passport program, has received no general fund support for more than 15 years and has had long-term stability. But that stability is based, not on its passport program, but principally on a \$150 million endowment that supports park operations. The endowment, derived from oil, gas and mineral leases on state lands, was created by the public through a constitutional amendment.

According to the fiscal year 2011 National Association of State Parks Directors Report, a majority of the states use three or more fund sources to support the operations of their park system. At least 37 states have one or more dedicated (use-specific) fund sources, 39 get some kind of general fund support, and 46 self-generate revenues. Given the hybrid version of funding sources for other states, it appears none of the states except New Hampshire report financing solely from user fees, donations and volunteers. New Hampshire’s system is small and not comparable to Washington’s. Its main income is from an ocean beach parking area, along with ski resorts, and a couple of major parks. In addition, a separate state trails agency does get tax funding. New Hampshire officials report significant problems in operational financing, with capital funding needed to address deferred maintenance.

Local Government

Many counties and some cities in Washington state provide services and facilities that are similar to those offered in state parks. Generally, the parks are smaller, and the use patterns are more intense. The vast majority of local government parks and recreation providers do not charge for day-use access, but they do charge for overnight accommodations. Snohomish County charges day-use access at select parks, and a number of parks agencies are experimenting with enhanced in-park concession services as a way to raise funds. Some individual parks have found a way toward full operational self-support. But no local government park system providing services comparable to those provided by State Parks comes close to financial self-support.

Private Campgrounds

KOA, Inc., Thousand Trails, Inc, and many other private recreation providers serve the overnight accommodation needs of recreational vehicle and tent campers. These facilities generally are on small land holdings, with highly clustered campgrounds averaging upwards of 12 to 16 units per

acre, in comparison with state park designs that on average provide three to four units per acre. The private campgrounds are able to be self-supporting financially by combining high-density accommodations with some enhanced amenities (e.g. laundry services, club houses) and significantly lower employee payrolls (lower wage, seasonal employment and no benefits). The most crucial difference between private campground providers and State Parks is that the private providers have fewer obligations associated with managing natural and cultural resources.

All services cost money, but not all services make money

Why is it that public park and recreation service providers are not able to fully pay for services through the fee-for-service market pricing mechanism? While the answer to that question differs in the specifics for each agency, the basic principles are the same. For each principle listed below, specific examples are provided for Washington State Parks:

Social Costs and Subsidies

Under Washington State law, state parks must allow free access (a Discover Pass exemption) and free or reduced camping access for the following groups:

- Limited Income Seniors
- Disabled Veterans
- Disabled Persons (a higher threshold for non-veterans)
- Foster Parents and Families

Schools, other local, state and federal government officials, and certain tribal activities are exempt from access fees.

To assure that all Washingtonians, regardless of ability to pay, have some ability for access their public park lands at no cost, the Legislature required State Parks to provide 12 free days a year.

Stewardship Obligations

Petroglyphs, pictographs, and other prehistoric Native American cultural resources are under the care and protection of State Parks. While it is possible to charge a fee for access to some of these facilities in a controlled way, many cultural resources need protection from human use in order to meet stewardship obligations.

State legal obligations to protect wildlife habitat, rare and endangered species and vegetation communities are consistent for both public and private lands. But there are concentrations of these resources on State Parks lands, and there are increased liabilities associated with public ownership. Forest stewardship is taking on an increasingly profound – and expensive – role, as and natural tree diseases are affecting large land areas and increasing liability throughout the system. Tree prescriptions that included cutting and thinning have been undertaken at Lake Wenatchee, Lake Easton and Kopachuck state parks, and diseased trees in several other parks will need attention in coming months and years.

State law requires State Parks to manage use in the Seashore Conservation Area (ocean beaches), but because of logistical, practical and constituent concerns, the agency does not require the Discover Pass for vehicle access to ocean beaches.

State Parks has the largest collection of historic structures of any Washington state agency, and many of the historic areas and structures are listed on state or national registers. Lighthouses, Civilian Conservation Corps buildings and landscapes, St. Edward Seminary, Fort Worden, and hundreds of other examples of our states precious cultural legacies are now at risk. The state park system of historic structures itself was recently listed as “endangered” by the Washington Trust for Historic Preservation, due to concerns about the agency’s budget and capacity to care for its resources. Historic facilities generally cost more to maintain than contemporary structures. They are often located far from urban centers, where costs for transportation increase the cost of maintenance and reduce the market for re-use and renewal.

Inability to secure fees for use

Millions of people each year enjoy driving past a beautiful Peace Arch with exquisite, well-maintained gardens. But fewer than five percent actually pay to park their vehicle there to extend their visit. Many parks have “drive-by” functions that leave their responsibility for maintenance intact, but with no way to charge the viewer.

Washington state parks were never designed to have single points of entry. Deception Pass, Riverside, and most other parks in the system have multiple access points, which pose challenges in enforcing access pass requirements. Most state parks have public roadways and places where parking can occur just outside their boundaries. It is not uncommon to see vehicles lined up outside park boundaries, with people walking in to avoid paying access fees.

More than 20 marine state parks are boat access-only sites. Dropping anchor and using human-powered craft to access the marine park for the day results in no access fee revenue to state parks, but there are costs to provide services in picnic areas, trails, and composting toilets.

Neighbors of state parks can walk in, or others bike in or take public transport. All of these visitors can avail themselves of state parks without paying a fee.

Governmental “Costs of Doing Business”

State Parks needs to follow all the procurement rules, which meet a set of appropriate social objectives, equity concerns and ensure responsible use of public funds. Such governmental procedures come at a higher cost.

State Parks is subject to merit system rules, collective bargaining agreements, statutory restrictions on replacement of state employees with volunteers, wage and benefit standards, and other employment practices which meet statutory requirements and increase staff costs relative to those of private sector competitors.

As a public entity, decision-making processes must reflect inclusion of public sentiment with documentation, evaluation and ongoing direction provided by the Legislature and Governor. Communication with stakeholders is essential and valuable – and requires time and money.

Market competitors and the potential for State Parks to self-support

In looking at the national market for outdoor parks and recreation facilities and services, the following conclusions are drawn:

- All but four state park agencies require an access fee for day use. The percentage of funds coming from fee-for-service generally ranges between one-third and two-thirds of total state park agency budgets.
- To the best of staff knowledge, there is no known example of a federal, state or Washington state local government park and recreation agency (with service obligations comparable to those of Washington State Parks) being financially self-supporting through fees for services and donations.
- Federal park and recreation programs for the most part charge fees for services, but revenues from fees represent a small portion of the recreation and conservation budgets.
- Private campgrounds and other private outdoor recreation providers do not provide the same services as state parks and are not otherwise constrained by state laws that effect program costs.

TRANSFORMATION STRATEGY

State Parks continues efforts to help itself survive financially

State Parks has received regular direction from policymakers over the years to adopt more business-oriented approaches to managing the park system, and the Commission has taken that direction seriously. The agency has consulted with recreation pricing experts; explored the possibility of private business improving facilities from which they – and the park system – could derive revenue; and researched other states’ models for partner operations that provide sustenance for park systems.

Some of these business approaches were reflected in the agency’s Centennial 2013 Plan to prepare the park system for a second 100 years. Agency work during the Centennial years reflects a business-oriented consciousness. In order to help itself financially, some of the agency’s capital program efforts were driven by operations priorities, and certain types of new construction resulted – primarily the construction of cabins and yurts; rehabilitation of historic buildings for modern uses such as vacation rentals; and the electrification of RV campsites – all intended to generate additional operating revenues for the agency.

Even though Centennial 2013 building and improvement efforts were reduced and in some cases put on hold with the advent of the economic recession, the Centennial provided some real

successes for the park system. With the support of a Governor's proclamation, the creation of a legislative advisory committee and a plan to follow, the 2007-09 operating and capital budgets were relatively robust and allowed the carrying out of many Centennial goals. An early 2010 survey of park rangers throughout the state park system indicated that through Centennial 2013 efforts, improvements had been made in every park in the system.

Creating a “Transformation Strategy” to keep State Parks proactive

State Parks' continuing efforts to gain more solid financial footing have initiated discussions around three concepts – parks as an enterprise; parks as a community non-profit; and parks as a public asset. The State Parks Transformation Strategy suggests all three may be needed in order to sustain the park system moving forward.

The strategy places emphasis on exploring new ways to raise revenue. Examples include concession agreements, land lease management, energy development and gravel extraction for sales. An example of success in these efforts is increased revenues from non-recreational leases, such as communication towers and utility lines. In 2000, the agency received \$300,000 from these sources. As a result of a concerted effort to negotiate market rates, revenues from these sources in 2011 totaled \$1.1 million.

State Parks also has successfully re-examined fee structures and raised camping and other fees where possible, using market rates as a guide and understanding that too-low rates may pose unfair competition with the private sector. In 2009-11, the decrease of General Fund allocations elevated financial uncertainty and made many of these business approaches higher priority for the agency.

State Parks continues its shift to a funding model that balances appropriate levels of General Funds to cover non revenue-producing aspects of its mission with donations and other non-profit support and donations. As this shift continues, State Parks understands the importance of continuing the enterprise-type activities that can help sustain the system long term. The State Parks Transformation Strategy, to be developed by the Commission in the coming months, is largely made up of these activities.

The Transformation Strategy will guide the agency at the start of its second century of service. The focus is on how the agency will continue to be relevant to the public, help to sustain itself financially and provide stewardship and care of the array of resources in its charge.

The strategy is based on the current reality that Washington State Parks has shifted to a financial base that, even assuming appropriate General Fund support, will operate in part as a public enterprise, with fee-for-service a major revenue source. As such, the Commission will need to keep parks open and maintained to a condition that invites the public to choose them, while the agency continues work to reduce costs and increase revenues.

The approaches in the Transformation strategy will include the following elements:

- Efficiency and reorganization (partially implemented in 2012)
- Strong capacity for data-driven business decision making
- Sustainable recreation opportunities and service levels
- A purpose-driven fee structure
- Ways to increase revenue from existing activities
- Appropriate role for general tax dollars
- Partnerships, donations, and volunteer strategy
- Potential for a Washington State Parks Legacy Endowment

The public weighs in: Outreach effort informs strategy and direction

During the months of May and June 2012, State Parks reached out to the public. State Parks staff and commissioners conducted ten meetings held throughout the state with the purpose of engaging the public in this report, the 2013-15 budget request, the legislative agenda, and the Transformation Strategy. Each meeting was designed to:

- Inform the public about the “state of state parks,” providing a critical understanding of the agency’s programs, statutory and public expectations and obligations, and the financial challenges facing the agency.
- Lay out thematic alternative approaches for looking at the state park system and how it could be financed. The three approaches were:
 1. Parks as an Enterprise
 2. Parks as a Community Non-Profit
 3. Parks as a Public Asset
- The public was informed that no one approach was “the answer.” In describing them, a table was set for a stronger, more meaningful discussion of choices, values and priorities.
- Discuss the advantages and disadvantages of each thematic alternative.
- Listen to public questions and opinions about future directions for state parks.
- Talk about how people can stay involved in the planning process.

Meeting notices were sent to more than 8,000 e-mail addresses gleaned from previous State Parks public mailing lists. The documents made available at meetings also were posted on the agency website, at www.parks.wa.gov/beyond2013. The site provided mechanisms for public involvement and comment. Approximately 370 people attended the ten advertised public meetings, and approximately 150 more people provided comments or requested additional information on the web.

Comments from the public were diverse; however, a preponderance of comments asserted that State Parks should continue receiving General Fund appropriations to support the park system. Another strong concern expressed was that attempts to raise revenue not compromise the natural, cultural and historical resources that are the backbone of the park system. Finally, a theme from several of the meetings was that the agency was too difficult to work with, too difficult for

outside groups and individuals to successfully offer assistance. The agency itself had to change to be more open to partnerships and volunteers.

Working with partners: Foundation and friends support the park system

By 2009-11, State Parks had reached its Centennial 2013 goal of 400 partnerships of various kinds, including agreements with other governments, stewardship and recreation organizations, recreation groups and specific park friends groups. But the evolution of thought about sustaining the park system has driven discussion about how new kinds of partnerships could help and how they can be leveraged moving forward.

As State Parks entered the current biennium, there were 14 organized friends groups tied to parks around the state. Several of these – most notably Bridle Trails Park Foundation, Friends of Riverside State Park Foundation and Friends of Schafer and Lake Sylvia – had organized to provide ongoing financial and volunteer support locally to help keep their nearby park open.

Friends groups tend to rely on the same small pool of citizens to organize and sustain activities. For this reason, the Washington State Parks Foundation is working with State Parks to recruit new groups, assisting them in incorporating, serving as their fiscal sponsor and otherwise helping them to get up and running. The Foundation also is supporting existing friends groups, bringing them together to understand needs, provide technical assistance, facilitate exchange of experience among groups and explore ways for groups to work together in support of their individual parks and the broader state park system.

The Foundation and agency are exploring an expanded role for the Foundation in soliciting donors and sponsors to help develop the agency's statewide interpretive network, provide other educational and recreational programs in parks and help to market parks to the public. The Foundation and Parks have signed a memorandum of understanding outlining the delivery of key initiatives from the agency's revenue and efficiency efforts, including the use of online social media, a statewide Friends Group Network and a greatly expanded offering of ongoing park events in parks, where appropriate. These activities are now essential to attracting visitors and increasing Discover Pass sales.

Other types of partnerships focus on co-management. Staff are working with local governments to provide recreational programs and locally sponsored events in state parks and otherwise are achieving cost efficiencies through cooperative management activities. Partnerships with mission-aligned non-profits also serve to expand programs and services in parks, while providing non-profits a venue for their public service activities.

Washington State Parks has been a national leader in developing relationships and cooperating with tribal governments. One such example is a state-tribal co-management arrangement

believed to be unique in the United States. Washington State Parks and the Swinomish Tribe are co-managing Kukutali Preserve, a unit of Deception Pass State Park in north Puget Sound.

Another example of a new way of leveraging partnerships is emerging at Fort Worden State Park. The local Fort Worden Lifelong Learning Center Public Development Authority (PDA) and State Parks are exploring partnership-based management models for this iconic heritage site.

Use of technology can cut costs, increase services, connect people with parks

State Parks also recognizes its need to provide quality services to the public and keep those services relevant. The proliferation of smart phones and other wireless devices means people have come to expect wireless (Wi-Fi) technology even in natural settings. Technology upgrades in parks are no longer a “nice-to-do” feature for State Parks. The agency must now compete for the discretionary time and income of its potential visitors. Making it possible for people to “stay connected” is a necessary part of the recreation market.

There is a significant cost to such a venture. State parks are often in remote areas, and the infrastructure is costly. The agency has received a federal grant that will get wireless technology into approximately 17 parks as an initial step. However, the cost to bring modern technology to all parks could cost more than \$10 million.

It is not known how much indirect revenue new uses of technology may generate for State Parks, but the Commission believes that technology can significantly enhance outreach and efficiently and effectively engage new and return visitors and increase user fee revenues. New technology also offers effective new ways to provide interpretation. Examples of State Parks’ initiatives under way:

- **Mobile website:** In 2011, State Parks’ Information Technology division developed a mobile website to provide greater access to visitor information and reservations on the agency’s website, www.parks.wa.gov.
- **Quick Response (QR) codes:** State Parks is developing interpretive and other engaging content that will be available to people via smart phones and QR codes that can easily be posted at various outdoor settings.
- **Mobile Applications (App) development:** State Parks is contracting with a national company to provide a robust, free mobile app to enhance the visitor experience by providing park and trail maps, park information and more on mobile devices. Access to greater information is intended to draw visitors to the parks.

Options for revenue enhancement and cost containment

The following elements will be explored as the agency creates its Transformation Strategy. They are not currently included in agency-request legislation, nor in the 2013-15 budget request.

- **Create a state parks endowment fund.** An endowment is a financial corpus which provides a continuous revenue stream over time. If created similarly to Michigan's state parks trust, the state constitution would need to be amended so that the financial corpus would be independent of the Legislature. Then some source of ongoing contributions would be necessary to fund the corpus. Alternatively, the concept of an endowment is already in statute and assigned to the State Parks Foundation to create and steward. Jump-starting in some way this endowment could go a long way toward establishing its long-term funding legitimacy. No matter how established and endowed, it would be a mechanism for assuring funding for those parts of the state parks mission that are not best met through a fee-for-service approach.
- **Use some lands to generate revenues:** Redirect use of a specific portion of the state parks land holdings for the purpose of generating maximum revenues. While about 95 percent of the Department of Natural Resources' land holdings are trust lands with a fiduciary purpose of funding selected beneficiaries, none of State Parks' lands are so purposed. Redirecting 5 to 10 percent of State Parks lands to long-term, income-generating real estate could offset some agency non-market costs. However, we note that the sale of State Parks lands to cover short-term operating costs is bad public policy; it converts a permanent public asset to a one-time use with little or no return.
- **Increase recreation-supportive commerce** on selected park lands, such as lodging, restaurants, and other hospitality functions, to generate revenues in excess of their cost for service.
- **Assure market-rate pricing to non-recreational uses** of parks, for such things as public and private utility services.
- **Institute creative demand-sensitive pricing** for camping and other services. For example, camping on a July weekend would cost more than a June weekend, and in turn certain popular sites would cost more still.
- **Expand marketing** to attract new and repeat visits and stimulate Discover Pass sales.
- **Expand programming to attract visitors** and enhance their experience. This includes reinvigorating interpretive programs lost to cuts, expanding educational and youth opportunities.
- **Enhance recreational opportunities** such as picnic areas, trails and trailheads and play areas.
- **Engage in partnerships** with other governments, private non-profits and for-profit organizations to improve parks and provide programs that stimulate sales of the Discover Pass.
- **Expand use of volunteers,** friends groups and others to provide distinctive, high-quality programs and services that enhance the visitor experience and attract visitors.
- **Empower the State Parks Foundation** to become a major source of financial and programmatic support, through legislative changes and administrative support.
- **Work with the State Parks Foundation** to develop a unified approach to soliciting, thanking, recognizing and cultivating ongoing relationships with individuals and organizations that donate time, money, material or property in support of State Parks.
- **Support expanded State Parks Foundation efforts** to solicit help, recognize contributions and cultivate relationships with business and individual donors, sponsors and park users.
- **Expand efforts to secure grants** that enhance the park experience and protect critical natural and cultural resources.
- **Continue to develop the \$5 vehicle license tab donation program** and explore ways to more fully engage those donors in support of state parks.

Finding the right mix to create financial stability

While the Commission supports the incorporation of more entrepreneurial enterprise functions, it *does not support elimination of General Fund support in the long term or as a permanent*

solution to the current economy. State parks were established and supported as a public amenity with the public as share holders and the Commission accountable to them.

Throughout the country, each state's parks financing system has evolved to meet each state's stewardship ethic, recreational priorities, type and extent of natural and cultural resources and level of public support. Washington State Parks has moved dramatically in the direction of user-support in the last five years, and it can and should consolidate that direction and extend it. Securing a more diverse mix of revenue from patrons and donors while sustaining varying levels of funding from general taxes assures the public continues to have a stake and a voice in the system's future.

The Commission proposes this basic structure for developing an optimum parks operating financial model:

1. Public Financing (general tax dollars)
 - Essential responsibilities and legal and statutory obligations not connected to public visitation or use (No one pays for natural and cultural resource stewardship)
 - Intergovernmental responsibilities and costs (Consultation and communication with federal, tribal, state and local governments and public communications)
 - Legislative fee waivers (camping and Discover Pass exemptions for disabled veterans, limited-income seniors, etc.)
2. User Financing (user fees for services and recreational use taxes)
 - Dedicated funds for programs such as Sno-Park fees for snowmobiles or cross-country groomed trails
 - Undedicated Funds: Basic access to recreational lands (e.g., Discover Pass)
 - Fee for use, such as camping and moorage
 - Private sector financing: Enhanced revenues earned from commercial leasing activities, concessions and other agreements
3. Charitable Financing and Partnerships (includes Foundation contributions, Friends Groups, donations, and grants)
 - Extraordinary or superlative opportunities for the public (e.g., arts in the parks, commemorative events and facilities)
 - Meets both State Parks and partner-funded objectives. (e.g., ecological restoration grants, interpretive amphitheater improvements)

Because the Discover Pass is still new and because so much dramatic change has occurred in a short time, it is inadvisable now to stake out precise expectations for financing from the wide array of choices that are available. The financing model described above can result in a park system that reflects public service expectations and meets user needs efficiently and effectively.

It will take time, attention and adjustments to find the right proportions in a mix of financing to sustain the park system. Progress the agency is making to transform its operations is a long-term challenge, and it will demand ongoing attention and support. For this reason, State Parks recommends continued monitoring and review by the Legislature in the coming years.

DECISIONS TO ACT ON NOW

Current reality: The funding gap

During the past two biennia, State Parks has had to make approximately \$21 million in real (non-inflation adjusted) cuts. **With 2011-13 General Fund contributions of approximately \$17 million and \$4 million more in one-time ALEA funding, and with expectations it receive zero 2013-15 General Fund contributions, State Parks is facing an approximate \$42 million reduction from 2007-09 budget levels.**

The 2007-09 agency operating budget is now viewed as a high-water mark for agency funding, even though at the time, State Parks officials were aware of significant unmet statutory obligations and public expectations. There is no current consensus about whether the 2007-09 State Parks budget was adequate or insufficient. As the agency transforms its operating model, certain programs from that time are no longer high priority in this time of very limited funds, while other services that are now seen as essential were not provided then.

Though establishing service level standards is very difficult given current capacity and lack of strong data, the Commission understands how essential it is to do so; the public deserves assurance of value for its money.

What lawmakers can do: Legislation to consider

The 2012 Proviso directs the agency to outline any additional statutory changes needed to meet the goal of becoming self-supporting. The agency has more work to do to gain a thorough understanding of finances necessary to meet agency long-term mission, vision and statutory obligations of the state park system. The agency is requesting short-term assistance that can be accomplished through administrative or legislative actions. The following are the agency's original recommendations that may be supplemented at a later date:

1. Through the budgeting process, assure that State Parks receives General Fund appropriations that cover costs of mandatory exemptions to fee programs. Calculation of the amount will be under the responsibility of appropriate legislative budget committees, upon consultation with the Office of Financial Management and State Parks.
2. Expand the authority of State Parks to enter into property leases for a period of up to 99 years, increasing the duration from current 50-year maximum to stimulate appropriate private investment.

3. Broaden the authority of the Commission, beyond restrictions in RCW 79A.05.345, to permit advertising on State Parks land and to recognize sponsors for their support, and remove prohibition on use of proceeds to increase staffing.
4. Ensure the authority of the State Parks Foundation to raise funds for all State Parks purposes. Clarify and strengthen the role of the Foundation as the lead entity in soliciting contributions and cultivating relationships with individuals and organizational donors and private business sponsors.
5. Require a report in August 2014, from the Commission to OFM, identifying specific steps the agency is taking to increase revenues, reduce expenditures, engage volunteers and partners, and generally transform itself toward a more sustainable and healthy, financing and programmatic future.
6. Direct the Joint Legislative Audit Review Committee (JLARC) to complete a study of the economic and fiscal impacts of state parks on local, regional and statewide economies.

The State Parks 2013-15 budget request

It is unrealistic to assume that the agency can reach long-term budget adequacy immediately. The Transformation Strategy to be developed in the coming months is intended to create a pathway to become more self-supporting. The Commission's 2013-15 budget request assumes a reasonable and achievable restoration of services to a level that is acceptable, though not desirable. The agency understands it will need the right data, tools and modern technology to produce a detailed analysis of need. Without tightly defined cost and revenue allocation systems, it is difficult to develop information about the costs to adequately fund park system needs.

State Parks has begun to develop a maintenance management program and is currently evaluating a new operating model; the agency will request additional staff in the 2013-15 biennium to assist with data management and analysis with the goal of developing an ongoing process and system that will better prepare the agency for future budget requests. During the next two years, the agency will work to derive a baseline figure that identifies the level of funding required in 2015-17 and beyond, to keep all parks open and maintained at a quality level. This analysis work will be included in the Transformation Strategy currently in development. A Commission report to the Office of Financial Management, to be submitted by August 31, 2014, will include a rationale and assumptions.

For 2013-15, State Parks will propose a \$123 million operating budget, not counting federal, grant and dedicated funds. This level is intended to help sustain the system and ensure the public continues to choose state parks. It includes:

\$12.8 million in new revenues

- With greater public awareness and acceptance of the Discover Pass in its second year of operation, along with the popular decision by the Legislature to add a second vehicle to each pass, the agency projects \$9.7 million more from the program than currently receiving.

- Increases in camping and other fees are projected to bring in \$2 million more
- Discover Pass citation fines are projected to bring in \$600,000 in additional funds.
- The donation program, with expansion of the number of vehicles subject to this option, is projected to yield an additional \$500,000.

Approximately \$18 million in General Fund request

It is difficult to calculate all of the non-market costs of services provided by State Parks. In general, the basis for the request is primarily for two reasons: (1) cost of public policy decisions; and (2) The state park system has obligations and responsibilities that don't generate revenue. The requested dollars will be used for providing an acceptable service level, increase revenue generating capacities and improve data collection.

- Approximately \$3 million will be spent on mandated expenditures from state contracts and inflation costs.
- Approximately \$12.4 million will be used for maintenance staffing and materials, field staffing increases in necessary areas, stewardship and preservation, training and park programming.
- Approximately \$ 2.6 million will be spent on data collection and analysis, marketing and partnership staff and support.

In summary: Our duty

As the Washington State Parks prepares to celebrate 100 years as a state park system, the Commission is wholly committed to finding the best path forward to ensure a healthy second century of parks in Washington. That means more than keeping gates open.

To be healthy moving forward, the Commission defines success as providing excellent care of natural, cultural and historical resources, providing high-quality visitor services, replenishing spirits and providing hope, inspiration and respite for citizens. The Commission is committed to maintaining State Parks' rightful place as caretaker and guardian of the state's heritage and a steward of its legacy. State parks are the heart and soul of our state.

It will take relentless effort and support from all quarters to ensure that state parks remain what they have always been – the very best of Washington.