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California State Parks: An Equitable and Sustainable Revenue Generation Strategy

California Research Bureau

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California State Parks:

An Equitable and Sustainable Revenue Generation Strategy

*By Jennifer Ruffolo, M.P.P.
and Matthew K. Buttice, Ph.D.*

*Requested by the
Senate Natural Resources and Water Committee
and the
Assembly Water, Parks and Wildlife Committee*



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California State Parks: An Equitable and Sustainable Revenue Generation Strategy

*By Jennifer Ruffolo, M.P.P. and Matthew K. Buttice, Ph.D.
Senior Policy Analysts*

*Requested by the Senate Natural Resources and Water Committee
and the
Assembly Water, Parks and Wildlife Committee*

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Executive Summary

Recent legislation directed the California Department of Parks and Recreation (DPR) to set revenue targets, collect appropriate fees for all parks, and generally increase revenue. In order to fulfill this mandate, the Legislature gave DPR several new tools: flexible funding, a revolving working capital program, and financial incentives for districts that meet their revenue targets. DPR has both the legal obligation and the means to increase revenue.

KEY FINDINGS

- According to DPR, there were 43 million unpaid park visitors in FY 2011-12. High levels of unpaid visitation represent an opportunity to increase revenue by collecting low fees from all park users.
- DPR does not appear to have developed a systematic revenue generation program. Without clear program goals and objectives, one cannot measure DPR's progress in the two years since the Legislature enacted the revenue generation mandates.
- Other park entities have adopted a strategic approach to finding a balance of public funding and earned revenue. This approach, based on service classification and cost recovery, pays for public benefits with public funds and aims to recover the cost of providing services to individual park users. The approach also keeps fees local, up to a point, which helps increase public acceptance and creates incentives for local parks.
- Applying this approach to state parks, using DPR's available data, yielded reasonable revenue targets that could be reached by collecting a low fee from every park visitor.
- DPR could use this approach to build a systematic revenue generation program and refine the method as it develops more complete cost-of-service data.

The previous report in this series on DPR* concluded that the best opportunity for additional funding was park-generated revenue. This report, the second prepared at the request of the Senate Natural Resources and Water Committee and the Assembly Water, Parks and Wildlife

* "California State Parks: A Budget Overview" reviewed the Department of Parks and Recreation's expenditures over the last 20 years and found that funding for support of the state park system increased, although the proportion of General Fund declined, as did reliance on fee revenue. Most of the growth in the Department's budget is attributable to the growth in special funds. The study finds that the most promising source of additional funding for the state park system may be park-generated revenue. The report is available at <https://www.library.ca.gov/crb/13/13-002.pdf>.

Committee, initially aimed to review DPR's revenue generation program. However, while examining DPR's various efforts to increase revenue, significant administrative, logistical, and political challenges that complicate revenue generation in the state park system became apparent. In addition, although DPR complied with the letter of the new legislative requirements (submitting a prioritized action plan for revenue generation, implementing peak-demand pricing in some locations, collecting more fees, and setting revenue targets), DPR does not appear to have developed a strategy for increasing revenue. Further, the legislature's direction to increase revenue did not include criteria for setting revenue targets, the use of peak-demand pricing, or what constitutes "appropriate" user fees. As a result, DPR's revenue generation program lacks clear objectives.

Reviewing DPR's efforts to date and considering what constitutes appropriate user fees and reasonable revenue targets raised the broader question of how to fund the state park system. There are at least three options: with General Fund and/or other public funds; with revenue earned in the park system; or with a mix of public funds and earned revenue. Clearly the Legislature intends that DPR should have a mix of public funds and earned revenue, but how should DPR balance revenue generation with other park-related values, such as low-cost access to public lands?

Generating revenue in parks raises policy issues of equity, fairness, pricing, and the use of fees. There cannot be too much reliance on user fees to fund the park system, as that violates the public's sense of the purpose and invaluable public benefits of state parks, which the public collectively believes should be funded by public dollars (General Fund). Yet, there is not enough General Fund or other public funding to adequately support the state park system, and that situation may not change for some time. Consequently, the question became how should California determine the right balance of public funds and revenue generation to support its park system?

One answer lies in classifying the services provided by state parks, determining the costs of those services, and developing a cost recovery strategy that guides the revenue generation program. Federal, state, and county park systems have adopted this relatively new approach of service classification and cost recovery (SCCR). It offers a practical and equitable solution to determining appropriate revenue targets. Interestingly, the California Fish and Game Code explicitly employs this approach as the rationale for funding the Department of Fish and Wildlife.

The SCCR approach relies on the principle that public funds should pay for most or all of the costs of public goods and services, while user fees should pay for most of the private goods and services. In brief, under the SCCR approach, a park agency allocates General Fund dollars to those services that provide broad public benefits (such as resource management), and sets revenue targets to recover the costs of providing the goods and services in parks that benefit individual users (such as tours and retail services). The goods and services that lie in the middle, with varying levels of both public and private benefits, should be paid for with a combination of public funds and user fees. The SCCR approach identifies appropriate cost recovery ranges for the different goods and services, which result in revenue generation targets that reflect public values and the mission of the state park system.

To employ the SCCR approach, DPR would eventually need more complete data on its costs of service at the park level, as well as better visitation data. This report includes an illustrative example of the SCCR approach using DPR's existing data to develop park-specific revenue targets (see pages 33-44). The illustration categorized parks into three groups, reflecting the degree of public and private benefits at each park, allocated the available General Fund accordingly, and identified cost recovery targets for each group of parks. In a significant departure from current DPR practice, the illustrative example retained user fees at the parks where the revenue was collected and subsidized general park operations through appropriations from the General Fund. This approach remedies the disincentive facing park districts that earn most of the revenue (which DPR currently redistributes across the state park system) and creates a direct connection between fees paid and services provided to visitors. This illustration could serve as a starting point for developing pricing policies and a revenue generation strategy that is consistent with DPR's mission and public expectations of the state park system.

The illustrative example produces a statewide revenue target that, while significantly higher than DPR's current revenue, could be reached by collecting statewide park user fees of only a few dollars per person. By applying the SCCR approach with existing data, DPR could better allocate its available funding and increase its revenue. As better data become available, DPR could develop more fine-tuned revenue targets.

The revenue targets from the illustration should not supplant DPR's current revenue targets—instead, they demonstrate that DPR need not wait to perfect its internal accounting system to develop and implement a strategic revenue generation program. There will likely be significant costs to deploy a statewide fee collection program, which would need to overcome political and logistical challenges. However, once implemented, a system that collects low fees from all park users would dramatically improve DPR's funding situation.

The SCCR approach would also provide a consistent strategy for responding to future reductions in General Fund. Reductions in public funding would first affect those parks that have alternative means of generating revenue to replace the public funds. In other words, rather than closing parks that do not earn revenue, the SCCR approach would reduce public funding and increase fee revenue in those parks that are most able to generate more revenue.

A sustainable funding strategy for DPR should be based on the cost of providing the range of public and private goods and services available at state parks. Such a strategy would include a management policy of allocating public funds for those services that provide the broadest public benefits. User fees would pay for most or all of the costs of services that benefit individuals. By collecting appropriate fees from all users, DPR could recover more of the costs of operating the state park system from the direct beneficiaries and potentially maintain lower fees. Most importantly, the strategy would ultimately identify the amount of General Fund necessary to fulfill DPR's mission and pay for the essential services that the public expects from its state park system.

Introduction

Two years ago, California enacted several laws that strongly emphasized revenue generation in state parks. Until then, the Public Resources Code authorized the Department of Parks and Recreation (DPR) to collect fees and rents for the use of the park system, but lacked specific direction. Prompted by ongoing budget cuts and potential park closures, these legislative changes called for DPR to take specific actions, yet remained silent on the overall objective of revenue generation.

This introduction looks at the recent legal mandates, as well as DPR's response to those requirements. Although DPR has complied with the letter of the law, there does not appear to be a systematic effort to increase revenue. Revenue grew slightly over the last two years, but the available data lack sufficient detail to indicate which activities produced the growth. Those components typically found in a state program—an explicit allocation of responsibility between headquarters and the field, program descriptions, policies, goals, objectives, and criteria—are yet to be developed. Consequently, there is insufficient information to evaluate DPR's revenue generation efforts.

This section reviews the recent revenue generation mandate, identifies current DPR fee policies, and describes a few of DPR's efforts over the last two years to increase fee revenue. These examples illustrate the challenges of collecting fees and the consequences of not having a systematic revenue strategy.

REVENUE GENERATION MANDATE

In 2012, the Budget Act for FY 2012-13^{*} required DPR to create a revenue generation program. The program includes a revolving loan program, seeded with \$13 million of bond funds in the new State Park Enterprise Fund. These funds are to be spent on revenue-generating projects consistent with the mission and purpose of each unit and the unit's General Plan. Proceeds from those projects are to be used as the revolving loan program for additional revenue-generating projects. In addition, there is a two-year continuously appropriated State Parks Revenue Incentive Subaccount within the State Park and Recreation Fund (SPRF), with \$4.3 million for projects to increase revenue.[†] Last, DPR is to set revenue targets for each district, with financial incentives for those Districts that exceed their targets.

Also in 2012, AB 1589[‡] required that a “master plan for state parks[§] be formed” to “... ensure greater efficiency in the management of state parks, including **enhancing the collection of existing fees** and other revenue generating potential at state parks, while maintaining public access for all Californians....” (emphasis added).^{**}

^{*} Chapter 39, Statutes of 2012. These provisions were modified by AB 1478, Chapter 530, Statutes of 2012 and by AB 594, Chapter 407, Statutes of 2013. However, the main features and incentives are the same.

[†] Public Resources Code (PRC) Section 5010.6 authorizes the SPRF Incentive Subaccount, becomes inoperative on June 30, 2016, and sunsets on January 1, 2017.

[‡] Chapter 533, Statutes of 2012. Also known as the State Parks Stewardship Act of 2012.

[§] The Parks Forward Commission is developing the master plan. See www.parksforward.com for more information.

^{**} PRC Section 5019.91(h)(3)

In 2013, AB 594* expressed the Legislature’s intent that:

“... the department consistently operate the state park system to preserve public access and provide protection of natural, cultural, and historic resources. If budget reductions necessitate changes to the continued operation of state park units, **it is the intent of the Legislature that the department achieve required budget reductions by implementing efficiencies and increasing revenue collection**, or reducing services at selected units of the state park system, and that full park closures only be considered as a last option to address required budget reductions....” (emphasis added).†

In addition, AB 1589 required DPR to submit a prioritized action plan to “increase revenues and collection of user fees at state parks,” to be delivered to the Legislature by July 1, 2013. The plan was to include “strategies for generating new revenues and fee collection methodologies at state parks...” Six strategies were suggested, ranging from installing modern fee collection technologies to creating an “adopt-a-park” program. In particular, AB 1589 called on DPR to consider two strategies related to collecting fees: implementation of peak-demand pricing at popular campgrounds and other high-demand park facilities; and assessment of appropriate fees at all state parks.‡

DPR FEE POLICIES

The Legislature’s emphasis on increasing revenue by collecting fees and implementing peak-demand pricing suggests the need for updated fee policies and procedures. DPR’s policies on fees and fee collection reside in the Department Operation Manual (DOM) Chapter 1400, which was last updated in 1985.¹ According to the DOM, fees are established by the Director, in consultation with the State Park and Recreation Commission. The Department “assumes that while the general taxpayer supports acquisition and development of park facilities, the individuals who use them should pay an additional amount for the privilege.”[§] The DOM also specifies that user fees are to be published on a form called a “DPR 539A,” which was to be compiled and published by the Visitor Services unit in Headquarters.^{1, p. 1421.1}

DPR specifies procedures for collecting fees and reporting visitor attendance in several Department Notices (DNs). DN 96-24, dated July 16, 1996, describes how staff should complete the DPR Form 449, Monthly Visitor Attendance Report.² It also describes the process for estimating the number of visitors (day use, unpaid day use, and camping) based on vehicle counts and visitor counts over specified time periods. DN 96-26, issued July 23, 1996, describes the District Superintendent’s responsibilities for accounting and tracking the use of tickets, receipts, and passes.³ DN 97-42, issued November 17, 1997, addresses the use of complimentary passes issued to volunteers in recognition of their service to state parks.

* Committee on Water, Parks and Wildlife, Chapter 407, Statutes of 2013

† PRC Section 5007, emphasis added.

‡ PRC Section 5019.92

§ This policy expresses the same general principles that underlie the service classification and cost recovery approach described in this report.

According to DPR’s website, “at most parks, Day Use Fees are charged for vehicle day use only. There is no charge to walk or bike into these parks. Most historical parks and museums charge a Day Use Fee per person.”⁴ Currently, the DPR website lists fees for day use and camping as of May 2012, based on the information reported to Headquarters by the district superintendents.

In December 2011, DPR changed its practice of publishing user fees. Instead, district superintendents are responsible for setting fees and reporting them to the Concessions and Reservations, Visitor Services, and Public Information offices in Headquarters.⁵ The new procedure was established by a memorandum sent to district and sector superintendents by the Deputy Director of Park Operations.^{*} The memorandum states in part:

“In the current fiscal climate, it is important that our managers have the flexibility to work within their geographic market areas to adjust fees to ensure the greatest revenue return to the department. I support and encourage all Superintendents to be proactive in setting fees to the appropriate level.”⁶

IMPLEMENTATION OF THE REVENUE GENERATION PROGRAM

DPR’s revenue generation program website http://www.parks.ca.gov/?page_id=25971 describes the legislatively required components of the program—the Enterprise Fund, SPRF Revenue Incentive Subaccount, revenue targets, and other directives. According to the website, the intent of the revenue generation program is to “provide adequate funding for core services....”[†] This section summarizes the available revenue generation program information from DPR.

- DPR submitted the prioritized action plan[‡] to the Legislature and Governor on July 1, 2013. The two-page plan listed four primary objectives, but it did not specify a time frame, strategy, or details of how the work would be accomplished.
- Of the \$8.6 million available in FY 2012-13 and FY 2013-14 in the SPRF Revenue Incentive Subaccount, DPR spent \$2.7 million, primarily on staffing entrance kiosks with temporary help. This additional staffing enabled DPR to collect nearly \$6 million in user fees. DPR will fully allocate the remaining funds in the Subaccount to support temporary help during the 2014 summer season.⁷
- DPR has allocated a total of \$6.4 million for 18 projects from the \$13 million State Parks Enterprise Fund. These projects are expected to generate \$1.7 million in annual revenue, at an annual operating cost of \$326,000.⁷ The website includes a “Project Guidelines and Criteria Document”⁸ with project criteria for the Enterprise Fund, and describes in detail the process for project selection for FY 2012-13. DPR’s project review includes quantitative assessments of capital cost, operation cost, expected return, and time frame for implementation. However, none of this information is reported for the 18 funded projects.

^{*} The memorandum is included in the Appendix.

[†] http://www.parks.ca.gov/?page_id=25978 The website does not define “core services.”

[‡] The complete Prioritized Action Plan is included in the Appendix.

- DPR submitted the required two-year revenue targets in October 2012, based on the districts’ “previous year revenue capabilities.”^{*9} The FY 2012-13 target of \$105 million for the entire department was \$900,000 less than the total revenue earned in 2011-12.[†] The FY 2013-14 target of \$110 million represents a 4.5 percent increase over the FY 2012-13 target.

OTHER EFFORTS TO INCREASE REVENUE

DPR began efforts to increase revenue in early 2012, before the legislative directives were passed. This section highlights some of the efforts.

Entrance Fee Pilot Project: In the FY 2011-12 Budget,[‡] the Legislature authorized \$750,000 for an entrance fee pilot project. In 2013, DPR conducted the Mobile Payment System pilot, which tested the use of hand-held devices, such as smart phones and tablets, to collect cash, credit card, and debit card payments for camping and entry fees at five parks. The pilot project did not test the use of automated payment machines at parks without staffed entry points, or where fees had not been collected. During the pilot, DPR collected more than \$800,000 in sales of 56,691 tickets during peak season (June-September) in 2013. Although the fee pilot collected a substantial amount of revenue, DPR did not compare the results with revenue and visitation during the same period of the previous year.¹⁰

Annual Pass Price Changes: On May 1, 2012, DPR increased the costs of its annual passes,^{§11} then in December 2013, it lowered prices and added additional types of passes.^{**12} Because DPR does not have a statewide inventory system to track the quantity sold of the various passes, one cannot assess how the price changes affected sales.¹³ DPR does not collect data on the use of passes either—pass use is counted as “free day use” in the annual statistical reports. In FY 2011-12, DPR earned \$9,283,006 from annual pass sales. In FY 2012-13, total pass revenue was \$9,594,067—an increase of \$311,061 or three percent.^{††}

Pricing Changes on the Coast: Beginning in 2011, DPR tried to increase fees and institute peak demand pricing for parks on the coast, however, it encountered several problems.^{‡‡} Public opposition to paying for coastal access in the north, which traditionally had been free, derailed DPR’s efforts in Sonoma and Mendocino. On the south coast, the California Coastal

* Targets are available online at http://www.parks.ca.gov/?page_id=25978.

† This comparison is difficult because the five Off-Highway Vehicle districts did not receive FY 2012-13 targets and Headquarters, which reported no revenue in FY 2011-12 in DPR’s Annual Statistical Report, received a target of nearly \$4 million.

‡ Chapter 33, Statutes of 2011.

§ The price of the Vehicle Day Use Annual Pass, which allows access to almost all 280 state parks for one year, rose 56 percent from \$125 to \$195; the Golden Poppy Vehicle Day Use Pass, which is good at selected parks; increased 39 percent from \$90 to \$125; the Boat Use Pass increased 33 percent from \$75 to \$100; and the limited use Golden Bear Pass increased 100% from \$10 to \$20. Day-use and camping fees were not changed at that time.

** DPR eliminated the \$125 Golden Poppy Pass and creating a \$150 annual pass in light of the 150th anniversary of the state park system. The \$195 annual pass was renamed the “Surf Explorer Pass” (includes admission to all DPR-operated parks). A new “Historian Passport” for \$50 admits four people to many museums and historic sites, while a new \$75 “California Park Experience” day-use pass includes admission to more than 70 northern and inland parks, but does not include the most popular parks or the south coast beach parks.

†† The Department Notice describing the new passes is included in the Appendix.

‡‡ A more detailed review of this particular effort can be found in the Appendix on page 63.

Commission (CCC) raised concerns about the impacts of DPR's proposed automatic pay machines and new parking fee schedules on public access to south coast beaches. It took nearly two years to resolve these concerns and obtain the needed coastal development permits. During that time, the CCC and DPR developed an agreement for future coordination on changing state beach access fees. The efforts to increase revenue at the coast were led by DPR district staff. There does not appear to be a statewide effort to enact similar fee collection efforts elsewhere on the coast.

Marketing and Business Development Unit: DPR recently created a new "Marketing and Business Development" unit that reports to the Chief Deputy Director. The unit comprises the revenue generation, concessions, annual pass, and reservation programs, as well as marketing and planning.¹⁴ DPR hired a new manager for the unit, which includes 23 staff members transferred from the Park Operations Division. The unit has not published revenue generation policies or program materials, other than the FY 2012-13 guidelines and criteria document on the revenue generation website.

SUMMARY OF REVENUE GENERATION EFFORTS

In the two years since the Legislature directed DPR to increase its revenues, DPR has made some improvement to its overall revenue picture. DPR exceeded its FY 2012-13 revenue target of \$105 million by \$7 million.* Most of the fee revenue was earned by the same districts that regularly produce most of DPR's revenue. Some districts (and Headquarters) did not meet their annual revenue target.

There is little publicly available information about DPR's revenue generation program, making it difficult to assess the results of the program thus far. Although DPR exceeded its revenue target for FY 2012-13 by \$7 million, its data do not distinguish among sources of revenue—user fees, concessions, etc. Consequently, the question of what accounted for the increase in revenue remains unanswered.†

Although DPR prepared the required revenue generation prioritized action plan, it does not appear to have a strategy to carry out the plan. Guidelines for allocating the Subaccount and Enterprise Funds appear on DPR's revenue generation website, but the site does not provide information about project status or revenue earned. The new Marketing and Business Development Unit has not yet published a program for implementing the prioritized action plan. The lack of program information and strategy, combined with outdated policies and procedures on fees, creates an impression that revenue generation is not a primary focus within DPR.

* These figures are from DPR's submittal to Senate Natural Resources and Water Committee for March 11, 2014 hearing.¹⁶

† The Parks Forward Commission engaged FTI Consulting to prepare a baseline financial assessment of DPR, which was published in December 2013. The FTI report broke down the revenue for parks (excluding the off-highway vehicle (OHV) parks) by source. FTI found that from FY 2011-12 to FY 2012-13 user fees increased by \$600,000, concession revenues declined by \$1.1 million, and miscellaneous revenue increased by \$1.1 million.^{15, p. 89} FTI noted that the upward trend in DPR revenue since FY 2009-10 has been driven by increased camping and day-use/parking fees, while the number of paid visitors remained relatively flat.^{15, p. 90} However, their report shows that the largest revenue increase in the last year was miscellaneous revenue.

STRUCTURE OF THIS REPORT

This report covers a lot of territory to arrive at the conclusion that DPR needs a different funding allocation policy and a more systematic revenue strategy. The first section takes a broad look at DPR's revenue, and then examines the revenue potential from the high level of unpaid day use, as well as the challenges to collecting user fees at state parks.

The following section describes the policy concerns associated with increasing revenue on public lands. The section summarizes recent academic literature describing concerns about fairness and equity, and the importance of public information regarding the establishment of new fees and the use of fee revenue. This review leads to a discussion of the public policy foundation for a funding strategy based on the economic concepts of public and private goods. The funding strategy requires classifying services provided by state parks according to the beneficiaries, then allocating funding on the same basis, and charging market-based fees to recover most of the costs of providing services that primarily benefit individual visitors.

Next, the report describes how this public policy approach has been implemented. At the federal level the Federal Lands Recreation Enhancement Act authorized collecting recreation fees on lands managed by five federal agencies. At the state level, Texas and Georgia state park systems use this approach, which was also implicitly embraced by the California Legislature in recent changes to the statute governing the California Department of Fish and Wildlife. This approach was the foundation of a 2013 consultant report to DPR on financial planning and cost efficiency, which outlined how DPR could implement the approach.

Implementation of this funding strategy would require detailed information about the costs of providing services—information that DPR does not have. However, this report includes an illustrative application of the strategy using DPR's currently available data on costs, visitation, and revenue. This illustration allocates general fund dollars to provide public goods and services, and produces revenue targets based on the costs of providing private goods and services. While the illustration is imperfect, it demonstrates how the department could use existing data and minimal additional effort to construct a strategic and justifiable set of revenue targets.

The report concludes with suggestions for how the Legislature could implement the funding strategy, and the benefits of this approach compared with DPR's current approach to revenue generation.

Overview of DPR Revenue

Since 1939, DPR has had the authority to collect fees in the state park system.* All revenues collected by DPR are deposited to the State Park and Recreation Fund (SPRF), except that revenues from state vehicle recreation areas (SVRAs) are deposited to the Off-Highway Vehicle Trust Fund. State law exempts school groups from paying fees† and provides for discounted passes to low-income, blind, or disabled persons, senior citizens, and veterans.‡

Over the last 9 years, DPR collected just over \$100 million annually in revenue, primarily from user fees, concessions, and miscellaneous sources such as donations and special events. This section provides an overview of DPR's recent revenue performance by comparing it with other state park systems, summarizing recent revenue and visitation data, and describing the revenue opportunity from unpaid day use at state parks. The section concludes with a discussion of the challenges associated with collecting fees at all parks from all visitors.

TOTAL REVENUE

In December 2013, FTI Consulting presented a report, "California State Parks Baseline Financial Assessment," to the Parks Forward Commission.§ FTI took an in-depth look at funding and revenues earned by the park system in FY 2012-13. FTI analyzed park revenues by state park classification (state park, beach, historic park, etc.) and found that the largest share of user fees comes from state beaches (\$35.1 million in FY 2012-13).^{15, p. 84}

Highlights of the FTI report^{15, pp. 78-79} include:

- "DPR could potentially increase revenue by implementing entrance fees for those parks that have high usage but where a large portion is comprised of unpaid attendance. Consideration will need to be given to potential trade-offs with goals to maximize access."
- "The top 20 parks contribute almost 60 percent of park revenue and fewer than 15 percent of parks generate 75 percent of all park revenue. At the other end of the spectrum, about 39 percent of parks contribute no revenue to DPR."
- "Excluding Hearst Castle, parks with water features have higher attendance, revenue, and cost recovery compared to parks with no water features. In FY 2012-13, 76 percent of revenue came from these parks which overall have a cost recovery of 76 percent. Those parks that had water features and were near major metropolitan areas fared even better, with a cost recovery of 81 percent."

* Public Resources Code (PRC) Section 5010 says DPR may "collect fees, rents, and other returns for the use of any state park system area, the amounts to be determined by the department."

† PRC Section 5010.2

‡ PRC Section 5011.5

§ The Parks Forward Commission was formed in 2013 to conduct a complete assessment of the state park system. It will produce its report and recommended changes in the fall of 2014. See <http://www.parksforward.com/> for more information.

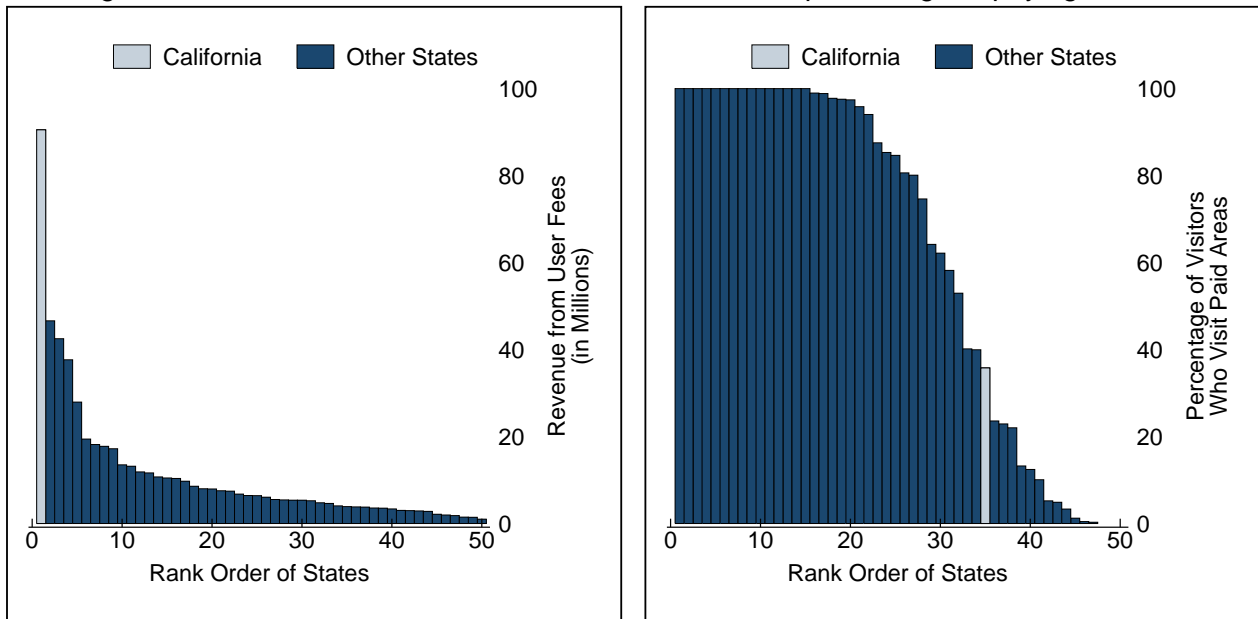
- “State beaches with camping are the best performing park units with an operating cost recovery of over 100 percent.”

The FTI report notes that the “concentration of high performing parks near water and major metropolitan areas indicates that there may be additional revenue generation opportunities at these locations.”^{15, p. 79} Increasing revenue at these parks could be viewed as the “low-hanging fruit” for improving DPR’s financial situation. However, as will be discussed in this report, there are procedural and political challenges associated with raising or instituting fees at all parks, particularly those on the coast.

HIGH LEVEL OF UNPAID DAY USE

DPR collected a total of \$112 million in FY 2012-13, mostly in user fees.^{16*} However, most park visitors do not pay user fees.

Figure 1. California is 1st in user-fee revenue and 35th in percentage of paying visitors.



(a) Revenue from user fees

(b) Percentage of visitation that is paid

Note: National Association of State Park Directors (NASPD) Annual Information Exchange, 2011-12. User fees in this analysis include entrance and camping fees.

* DPR reported this figure to the Senate Natural Resources and Water Committee in February 2014. DPR’s report did not break down revenue by source.

Compared with other states, the National Association of State Park Directors (NASPD) data* show that although California collects the highest amount of user fees,† it also has a higher percentage of visitors who do not pay than most other state park systems. In 15 states, 100 percent of visitors pay to visit state parks. By percentage of paid visitors, California ranks 35th among the 50 states.

DPR reports that approximately 30 percent of day use is paid, and the remainder is unpaid.‡^{17, p. 43} For FY 2011-12, DPR reported 18.5 million paid day-use visits, 43.3 million unpaid day-use visits, and 6.1 million campers, for a total of 67.9 million visitors. Unpaid day use accounted for nearly 64 percent of total visitation.

DPR acknowledges that visitor attendance data are estimates, “using various techniques and producing results of widely different levels of accuracy ... it is believed that in the aggregate, over time, orders-of-magnitude and broad trends in visitor use can be determined with some validity.”^{17, p. 43} DPR’s estimates of unpaid day use include annual pass users and exempt groups (such as school groups). Because DPR does not know the number of annual passes sold, frequency of use, or the number of people admitted when the pass is used, unpaid day use is highly uncertain. This uncertainty applies throughout this report in the discussions of the magnitude of free day use and revenue potential from collecting fees from all park users.

Table 1 summarizes DPR’s visitation and revenue data from FY 2011-12. Of the 240 parks for which there were complete data, 73 reported no paid visitors. Seventy-three parks did not post day use fees or camping fees on the DPR website. Seventy-one parks reported no revenue. Although these data may result from a lack of reporting or internal accounting issues, the general impression is that most visitors do not pay when they visit state parks.

* The Appendix includes a table with NASPD data for all states’ revenue from user fees and percentage of paid visitors.

† User fees in this analysis include entrance and camping fees but do not include other revenue sources such as restaurants or concessions. California still ranks first when all revenue sources are considered.

‡ DPR’s Annual Statistical Reports (available at http://www.parks.ca.gov/?page_id=23308) report both “paid” and “free” day use for each park unit. The “free” day use presumably includes attendance at parks which do not charge entrance fees, as well as estimated numbers of visitors that do not pay posted fees for a variety of reasons. In this report, the term unpaid day use refers to “free” day use estimates provided by DPR.

Table 1. DPR FY 2011-12 visitation and revenue statistics

Item	Value
Number of parks	240
Visitation FY 11-12	
Total number of visitors (in millions)	64.83
Paid Day Use and Camping (in millions)	22.81
Unpaid Day Use (in millions)	42.02
Parks that report 0 visitors	21
Parks that report 0 paid day or camping visitors	73
Revenue FY 11-12	
Total revenue (in millions)	\$101.09
User fees (in millions)	\$89.02
Concessions (in millions)	\$11.96
Miscellaneous (in millions)	\$0.11
Parks with no user fees listed on DPR website	73
Parks that report \$0 revenue	71

Note: The data presented here come from the California State Park System Statistical Report 2011-12 Fiscal Year. Data on user fees were downloaded from DPR's website (http://www.parks.ca.gov/?page_id=737). This analysis includes only non-OHMVR parks for which visitation and revenue data were available. This focus excludes eight State Vehicular Recreation Areas, Cambria State Marine Park, and 30 parks operated by local governments or nonprofit organizations through individual operating agreements with California State Parks.

As shown in Table 2, there are high levels of unpaid day use at many of DPR's top 25 revenue-generating parks. It is impossible to exclude people from some parks, such as Old Town San Diego. Consequently, there will inevitably be some degree of unpaid day use at state parks. There are also good policy reasons (e.g., maximizing public access to the coast) for some level of unpaid day use at state beaches. DPR acknowledges that its estimates of day use vary widely in methodology and accuracy.

Table 2. Parks with most revenue in FY 2011-12

Rank	Name	User Fee Revenue	Percentage of Total Visitation that is Unpaid
1	Hearst San Simeon SHM	\$9,695,531	4%
2	Huntington SB	\$3,892,310	53%
3	Bolsa Chica SB	\$3,644,763	51%
4	Folsom Lake SRA	\$3,406,688	10%
5	San Onofre SB	\$2,936,557	17%
6	Crystal Cove SP	\$2,872,920	22%
7	South Carlsbad SB	\$2,764,373	53%
8	Carpinteria SB	\$2,700,391	47%
9	Doheny SB	\$2,544,630	35%
10	San Elijo SB	\$2,461,898	53%
11	Lake Perris SRA	\$2,110,495	2%
12	San Clemente SB	\$1,991,026	33%
13	Pfeiffer Big Sur SP	\$1,704,152	16%
14	Leo Carrillo SP	\$1,657,358	46%
15	Silverwood Lake SRA	\$1,362,743	5%
16	Lake Oroville SRA	\$1,317,651	61%
17	El Capitán SB	\$1,309,710	3%
18	Old Sacramento SHP	\$1,299,116	70%
19	Silver Strand SB	\$1,296,466	46%
20	Point Mugu SP	\$1,218,722	48%
21	Torrey Pines SNR	\$1,214,408	31%
22	Millerton Lake SRA	\$1,209,012	19%
23	Pismo SB	\$1,174,448	72%
24	Morro Bay SP	\$1,040,055	91%
25	New Brighton SB	\$1,005,159	36%

Source: California State Park System Statistical Report 2011-12 Fiscal Year.

Note: SHM stands for State Historical Monument; SB stands for State Beach; SRA stands for State Recreation Area; SP stands for State Park; SHP stands for State Historic Park; and SN stands for State Natural Reserve.

FEE COLLECTION: POTENTIAL AND CHALLENGES

The data suggest there is significant potential to increase revenue by increasing the collection of day-use fees. If every unpaid day-use visitor paid just \$1, DPR could collect an additional \$43 million annually. If DPR collected \$2 from each of the estimated unpaid day-use visitors, it would generate \$86 million in additional revenue. Even if unpaid day-use estimates are twice the actual visitation, the revenue potential could be \$21.5 million—still a significant amount. Legitimate day-use discounts or free entry (e.g., annual passes, school groups, veterans, disabled persons and seniors) would somewhat reduce the revenue potential. The actual revenue would

depend on price, market characteristics, including the elasticity of demand for different parks, and the costs of collecting additional fees. Therefore, although there is clearly significant potential revenue from collecting existing fees, further analysis would be required to assess the costs and benefits.

DPR collects day-use fees in several ways—primarily with staffed entry kiosks and iron rangers,^{*} and automated pay machines in some locations. At entry kiosks, park staff collect parking fees, ranging from \$5 to \$15 per vehicle, and usually accept only cash or checks. Iron rangers and automated pay machines rely on the “honor system,” which assumes that people will pay the posted fee. It works best with a credible threat of enforcement for failing to pay.

DPR enforces its parking fees under authority of the California Vehicle Code[†]. Only State Park peace officers and other employees trained in the Department’s parking citation procedures can enforce parking regulations.[‡]

Fee collection is challenging—with budget cuts and staff reductions, often there is no staff in the entry kiosk to collect the fee. With iron rangers, visitors must pay by cash or check, and temptation could be strong to skip payment if the threat of enforcement is low. Enforcement depends on the availability of staff, and if enforcement is uncertain visitors may opt out of paying, particularly if they do not have the correct denomination for cash payment. Automated pay machines simplify fee payment and accounting, but they too require a credible threat of enforcement. In addition, they require electricity and internet or phone connections, which can limit their application in remote areas. Automatic pay machines can also be vandalized.

^{*} Iron rangers are self-service fee depositories, widely used at parks and other public lands. Fees deposited into iron rangers must be collected, recorded, and deposited by staff into appropriate bank accounts.

[†] California Vehicle Code Sections 21113 and 40200 et seq

[‡] DPR Department Operations Manual (DOM) Chapter 516.9 says: “In accordance with Vehicle Code Sections 21113 and 40200 et seq, the Department enforces parking laws and regulations on property owned or administered by the Department. The enforcement of these laws and regulations is the responsibility of State Park Peace Officers and other uniformed employees trained in the Department’s parking citation procedures. These procedures are set forth in the Department’s *Parking Citation Procedures Handbook*. Districts will ensure that employees who participate in this program have received training in, and have an understanding of, all related Vehicle Codes and California Code of Regulations, Title 14, Division 3, as they pertain to parking vehicles on State Park Property. Employees who are not designated State Park Peace Officers or Firefighter/Security Officers will only issue absentee Notice of Parking Violations. They may not issue personal citations and should always refrain from personal confrontations with violators.”

Issues with Increasing Fee Revenue

The new legislative mandates give clear direction to DPR to increase fee revenue. Although the statutes offer suggestions, they do not guide DPR in their implementation (i.e., there are no criteria for what constitutes “appropriate” fees or where peak-demand pricing should be used). In addition to the budget, staffing, and logistical challenges associated with collecting fees, the new mandates also raise several broad public policy issues about how to fund public parks.

This section summarizes recent academic literature about the range of concerns surrounding user fees in parks and public lands. These include political opposition to fees, as well as an expectation that access to public lands should be free or low cost. Peak-demand pricing and other economically efficient pricing strategies can increase revenue, but they also raise questions about fairness. And last, California’s reliance on distributing fee revenue across the park system, rather than keeping fees local, creates challenges in explaining the use of newly imposed or higher fees.

GENERAL CONCERNS ABOUT INCREASING PARK USER FEES

Concerns about user fees are not limited to California. Because of reduced public funding and a growing demand for outdoor recreation, parks and other public land management agencies throughout the United States are looking to recover some portion of their costs by collecting fees for park access and use of facilities. Although in an ideal world, general tax revenue would pay for the costs of operating the system and park visits would be free, charging user fees is not an unreasonable approach to increasing revenue. Even though people may object to paying fees for a variety of reasons, including traditional expectations of free access, research has shown that visitors are willing to pay recreational fees if the fees are equitable. Visitors also care about how the revenue is used, and who controls it.^{18, p. 53}

Although compelled by budget shortfalls, or required by legislation, agencies that attempt to increase revenue through fees face significant opposition and challenges unique to the public sector. Legislators and park supporters are wary about the effects of taking a more revenue-oriented approach to operating the state park system. Some feel that taking the cost of service into consideration when setting park fees runs counter to the “collective movement that established the extensive system of public lands.”^{19, p. 27} Others have expressed concerns about parks departments changing roles from stewards to business operators, and worry about the loss of commitment to the resources, to other users, and to future generations. There is also concern about excluding low-income people by raising fees. Although there are many obstacles to “accessing much of the public-domain land besides the fee, policies that further reduce access seem irresponsible.”^{19, p. 28}

In general, the research shows that park agencies need well-designed and carefully-implemented programs to succeed at increasing revenue through fees and other programs. Fees are better received if the agencies inform visitors about how the fees will be used. When fees pay for maintenance and operation of mission-based services and facilities, visitors see a direct benefit. Well-designed objectives (which could include keeping access fees low), monitoring, and evaluation processes enable agencies to determine if the fee policies achieve the stated

objectives. Last, but not least, public input appears crucial in the establishment of fee programs.^{19, p. 28}

FAIRNESS OF PEAK-DEMAND PRICING

Another set of public policy issues arise with the direction in AB 1589 to consider peak-demand pricing at popular state parks.^{*} Peak-demand pricing is a management tool that rations the use of a resource, such as limited parking at state beaches or campsites at the most popular redwood parks. By raising the price during periods of high demand, DPR can encourage visitors to come at less crowded times. Managing demand through peak-demand pricing reduces the strain on the infrastructure—campgrounds, water supply, and waste water treatment—as well as the staff and the resources, such as trails and historic sites. Its benefits suggest that peak-demand pricing should be used only in those parks where there is a resource that should be rationed for a legitimate reason—such as resource protection or public safety.

Peak-demand pricing raises concerns about equity. Higher prices will allocate scarce goods (e.g., parking spaces, beach-front campsites) to those who can afford to pay, and exclude those who cannot afford the higher rate. On the California coast, higher fees could deter access, which is counter to the Coastal Commission’s mandate to maximize public access. Community context plays a role as well—a small fee may have a large effect on some users in some parks, whereas elsewhere a large fee may have little impact.^{18, p. 53} The community’s response to fee increases also depends on individuals’ “reference price,” which is based on recent experience and that community’s prevailing equity criterion.²⁰ In addition, peak-demand pricing might be unfair for those who cannot come on a different day (those without flexibility in their work schedules, or tourists). In other words, peak-demand pricing could appear to be opportunistic revenue generation, which could strike some as inappropriate for a public park agency.

WHAT ARE FEES FOR?

AB 1589 directs DPR to “assess appropriate fees at all state park units.” Some parks are currently free because it is extremely difficult to exclude visitors who don’t pay (e.g., Old Town San Diego, Mendocino Headlands State Park, various places along Sonoma Coast State Beach). Others are free in effect because DPR only charges for parking, not for individual visitors (which encourages parking outside the park boundaries and walking or bicycling into the park). Still other parks have become free because DPR does not enforce fee payment due to staffing shortages.

If DPR is to collect fees at all park units, in addition to overcoming all of the technical, physical and budgetary challenges described earlier, it will also need to explain why visitors must now pay for something that they are accustomed to getting for free. This explanation may be difficult because the new fees will go into the State Park and

^{*} AB 1589 says the prioritized action plan for increasing revenue “may” include but is not limited to peak-demand pricing at popular campgrounds and other high demand facilities. (PRC 5019.92 (a)(2). It also says that the Master Plan for state parks should enhance the collection of existing fees and other revenue generating potential while maintaining public access (PRC Section 5019.91(h)(3).

Recreation Fund (SPRF) rather than pay for improved park maintenance or operations in the park where collected. State law^{*} requires all park revenue to be deposited to SPRF, which is then appropriated to DPR through the annual budget process. DPR allocates SPRF throughout the park system, including headquarters. There is no constraint on the use of SPRF revenue by DPR—for example, the law does not require that user fees pay for facilities or other services that benefit individual users. In practice, districts and headquarters divisions receive a mix of funds, including General Fund, special funds, and SPRF, with which to pay for all services.

In short, California relies on some park users subsidizing the operation of the rest of the system. The southern districts with beaches and Hearst Castle produce the most revenue for the state park system. The FTI report noted that southern beaches and parks with water features generated 76 percent of the revenue.^{15, p. 79} Assuming that revenue exceeds the costs of operating these parks, then the visitors to these parks are essentially paying for the benefits derived by nonpaying visitors at other park units.

According to a 2009 DPR survey of public opinions and attitudes on outdoor recreation, the majority of Californians believe that fees collected at each park, wildlife, and recreation area should be spent on that area.^{21, pp. ii, 60-61} However, if this was the practice across the state, some districts would have insufficient operating revenue, while other districts (southern beaches in particular) would have a surplus.

There is one example in the state park system of where fees remain local while DPR continues to operate the park—the management agreement between the U.S. Bureau of Reclamation and DPR to operate Folsom Lake and Auburn State Recreation Areas (SRAs).[†] The management agreement demonstrates the conflicting incentives created by the current funding arrangement for state parks. None of the nearly \$4 million in revenue from Folsom Lake SRA count toward DPR’s revenue targets (which were enacted by the Legislature just after DPR and the U.S. Bureau of Reclamation signed the management agreement). While park managers, users, and supporters of individual parks wish to keep user fees local to directly support park operations, such arrangements undermine DPR’s funding approach, which uses SPRF revenue to subsidize the rest of the park system. User fees and special events at Folsom Lake, such as the Big Wake Weekend, draw enormous crowds that pay premium prices for admission and mooring. Without the management agreement, those special event revenues would contribute to the District’s SPRF target and benefit the rest of the park system. Because of the management agreement, all special event revenue, user fees, and concession revenue remain at Folsom Lake, regardless of the amount earned over and above the cost of operation.

^{*} PRC Section 5010(b)

[†] As of July 1, 2012, all fees collected at Folsom Lake and Auburn SRAs remain in those parks under a management agreement between DPR and the U.S. Bureau of Reclamation.⁴³ At the time, the agreement was considered necessary to keep the two SRAs open, as U.S. Bureau of Reclamation would pay for up to 50 percent of the annual costs of operations if revenue was less than operating costs at those two sites. In FY 2011-12, Auburn SRA earned almost \$10,000 in revenue, while Folsom Lake SRA earned over \$3.4 million. Annual pass sales from Folsom Lake amount to more than \$700,000 annually.¹³ The Gold Fields District, which includes Auburn and Folsom Lake SRAs, had operating costs of \$6.2 million that year. Yet the management agreement removed the largest source of revenue—consequently the District’s FY 2012-13 revenue target is \$662,894.

A Policy Foundation for a Revenue Strategy

As described earlier, DPR has not articulated clear policies or objectives for setting prices (fees) in state parks. Its practice has been to raise or lower prices depending on its budget situation. For example, when California had a surplus of General Fund in 2000, DPR cut camping and day-use fees in half, and subsequently, the enacted Budget doubled DPR's General Fund appropriation.^{22, p. 11} Over the past several years, fees have steadily increased as DPR has seen reductions in General Fund support.

The people of California own the state parks, and entrust DPR with preserving and protecting the public assets—wildlife, habitat, and cultural resources—within the parks. Charging fees for access or earning a profit from the use of parks might conflict with the collective sense of ownership or impede public access to public lands. Because of the political sensitivity of state park fees, a revenue generation strategy based solely on raising prices will inevitably encounter opposition. Technical obstacles to collecting fees and lack of robust visitation and user/visitor information compound the challenge of setting appropriate prices. Given the Legislature's direction to increase revenue and California's austere budget climate, it is even more important to base state park fees on a sound public policy footing.

Developing such a policy foundation* entails assessing the goods and services provided by state parks, and determining who benefits (all Californians? individual park visitors? a mix of public and private beneficiaries?). The park agency must understand the costs of providing the various services, and formulate a strategy for allocating the available public funding. The park agency must also establish explicit pricing objectives—such as promoting equity or efficiency, or raising revenue—and set cost-recovery targets in accordance with the selected objectives. Ultimately, by developing this foundation, the park agency will produce a revenue generation strategy tied to the amount of public funding available, with equitable prices that ensure that those who benefit from a service pay a reasonable portion of the cost of that service.

This section describes the process of developing a revenue strategy using the service classification and cost recovery (SCCR) approach. The process consists of three main steps: classifying services, allocating available funding and determining cost-recovery goals, and setting prices. The approach also calls for meaningful public involvement in the classification of services.

SERVICE CLASSIFICATION

The state park system provides a range of goods and services, including preservation and management of natural and cultural resources, recreation, education, and law enforcement. Some benefit all Californians, such as maintaining open space and the cultural heritage of the state. Other services enrich the lives of individual park visitors, who benefit from camping,

*An economic and policy basis for pricing government services was described more completely in "Marketing Government and Social Services," by John L. Crompton and Charles W. Lamb,²⁴ in particular Chapters 13 and 14. Their work has subsequently become the backbone of several state and federal land management agencies' efforts to move toward a more cost- and benefit-based approach to financial planning and setting fees on public lands, several of which will be described in this report. Over the last ten years, consultants practicing in the field of public parks and recreation have developed programs to implement this approach at more than 20 agencies.

hiking, or visiting a historic site. Still other aspects of parks benefit the community at large while also enriching individual visitors, in the sense that the entire state benefits from having citizens who know about their state's heritage, or who enjoy outdoor recreation. Classifying services according to the beneficiaries establishes a foundation for allocating available resources and making decisions about user prices.

Service classification produces three or more categories covering a spectrum from primarily public and essential goods to the mainly private services that benefit individual park visitors. For example, some park services protect wildlife and their habitat, maintain unique historic structures, or reduce fire danger. Such services and programs mostly benefit the state as a whole. The public generally pays for these services with broad taxes such as the General Fund. At the other end of the spectrum lie the park services that directly benefit individual park visitors, such as special tours and equipment or facility rentals. Visitors generally pay for these services at rates that recover most or all of their cost. Some services may also generate a profit. Between the public and private ends of the spectrum lies a host of goods and services that provide a mix of community and individual benefit. A mix of public funds and fees should pay for these services.

ALLOCATING FUNDS AND DETERMINING COST RECOVERY GOALS

The service categories establish the basis for allocating the available funds and determining how much revenue needs to be earned from fees. A "beneficiary pays" principle underlies the allocation of public funding and justifies collecting user fees from those who benefit from park services. Based on its cost (including direct and indirect costs) of providing the various services, the park agency determines the amount of public subsidy according to the public benefit produced. Cost recovery rates determine how much fee revenue must be earned to pay for the service. For example, a service such as operating a visitor center could be paid for with 80 percent public funds and a cost recovery of 20 percent, under the presumption that there is a large public benefit and a relatively small private benefit for visitors. Alternatively, a service with a high degree of individual benefit, such as improved accommodations (cabins, lodges, cottages, etc.) might receive a public funding subsidy of only 10 percent and require a cost recovery of 90 percent.

By summing up the cost recovery amounts for all services, the park agency develops a revenue target. Each park within the system receives a revenue target based on the agency's policies for setting and collecting fees as well as estimates of revenue to be obtained through concessions, philanthropic support, and other revenue generation opportunities.

PRICING SERVICES

After classifying its services and establishing cost-recovery targets, the park agency determines the prices to be charged for various services. Agencies must consider the going rates for similar services, which entails performing market surveys of prices charged by other suppliers. During this process the analysis must identify the pricing objectives (e.g., maximizing access or profits, or income redistribution) of the entities within the market survey. Frequently there is no basis for pricing, which could result in inappropriate price comparisons. At this point, market information is used to adjust provisional prices to ensure that users are willing to pay.^{23, p. 77} By

adjusting prices to the going rate in a market, the park system prices will be seen as fair. In addition, if the provisional prices are less than the going rates, there is a strong argument for a price increase. Comparing existing prices with those charged elsewhere for similar services establishes a reasonable range of prices that will be acceptable to users.

Next, a park agency needs to explicitly consider its pricing objectives—what the agency expects to achieve from the prices charged—and prioritize those objectives before setting prices.^{24, p. 321} Objectives might include income redistribution, equity,* efficiency, and revenue generation. One overall objective might not be appropriate to all the services the parks offer, and some may conflict. For example, if a park agency wishes to encourage lower-income residents to use parks (income redistribution), then it should charge a low price or none at all. However, that low price can increase demand and cause crowding and safety concerns or overuse of resources. In that case, a higher or variable price might be needed to ration the use of a park (promote efficiency).

The third stage of setting prices entails examining the opportunities or obligations to charge different prices to different groups for the same service.^{23, p. 78} This is where the park agency may subsidize specific groups such as the disadvantaged, veterans, or the elderly. On the other hand, there may be opportunities to charge higher prices at other times or locations—for example, charging higher prices for better campsites on holiday weekends, or to non-California residents. In order to offer the same service at different prices, a park system must examine the clientele and obtain sufficient user information to justify the pricing differentials. The agency must avoid arousing resentment or losing the goodwill of the majority of its clientele.

PUBLIC INVOLVEMENT

Determining how to classify a park agency's services inevitably invokes value judgments about what services are essential, important, or discretionary. For that reason, service classification, cost recovery, and even pricing deliberations have occurred within public processes that involve community members and elected officials as well as agency staff. Some states have conducted surveys to help determine the appropriate classifications.

Shrinking tax support for parks agencies across the country has led to the development of systematic service classification programs.[†] These programs guide agencies through the process of assessing their services according to their legal mandates, mission statements, and organizational values. They generally involve significant public involvement to create a common understanding of the interpretation of the mission and vision for the future of the park system under a different financial regime.

* "Equity is the allocation of benefits and payments, and ensuring that those who benefit also bear the cost of a service.... Pricing promotes efficiency in the use of services by serving as a means of rationing, typically by increasing the costs of services, or to alleviate congestion or improve accountability and service quality...."^{24, pp. 329-337}

[†] Public sector park agencies have hired consulting firms to lead them through this process. One firm refers to the service classification and cost recovery approach as a "Pyramid Methodology." Consultant-led cost recovery exercises have occurred at least 12 municipal agencies (including San Diego County Parks and Recreation) and the states of Arizona and Georgia.⁴⁵ In 2012, DPR engaged Pros Consulting and CHM Government Services to assist with financial planning and cost-efficiency analysis using the service classification approach. The results of that effort are discussed in the next section of this report.

Service Classification and Cost Recovery (SCCR) in Practice

As public financing shrinks, public land management agencies are using the SCCR approach as a funding and revenue strategy for state, regional, and local park and recreation agencies.

Congress embraced this approach when it established recreational fee authority for several federal land management agencies in 2004. Texas directs its Parks and Wildlife Department to recover the costs of facilities through user fees. The California legislature directed the Department of Fish and Wildlife to cover certain costs with user fees. Georgia State Parks recently adopted a plan for financial sustainability that relies on the classification of services as the foundation for business plans that lead to 75 percent cost recovery.

This section briefly reviews how several public agencies applied the SCCR strategy and summarizes a financial planning study that described how DPR could apply this strategy to California state parks.

FEDERAL LANDS RECREATIONAL FEES

Enacted in 2004, the Federal Lands Recreation Enhancement Act (FLREA),* authorizes the U.S. Forest Service (USFS), Bureau of Land Management (BLM), National Park Service (NPS), U.S. Fish and Wildlife Service, and the Bureau of Reclamation to collect recreation fees. FLREA distinguishes between the use of appropriated funds and fees, and includes an explicit rationale for the fee program, criteria for where fees may be charged, and requirements for public involvement in setting fees. The federal agencies may retain the fees to “supplement appropriated and other sources of funding to repair, improve, operate, and maintain recreation sites and areas to quality standards (including elimination of recreation deferred maintenance), and to enhance the delivery of recreation services....”^{25, p. 4}

Fees Allowed for Specific Amenities

FLREA enables federal land agencies to collect user fees where there are individual benefits that accrue to the users of the facilities. The law prohibits fees for activities or services that are of broader public benefit, including such things as parking or picnicking along roads or trail-sides, or for dispersed areas with low or no investment in visitor-serving facilities. National parks and wildlife refuges may charge entrance fees, but the law prohibits entrance fees at other federal lands. FLREA allows a “standard amenity recreation fee” to be collected at areas that have significant outdoor recreation opportunities, substantial federal investments, and where fees can be efficiently collected. Agencies may charge an “expanded amenity fee” where visitors use more developed facilities, such as boat launches with mechanical lifts. The law provides for enforcement by defining failure to pay as a misdemeanor, punishable by fines.

The law requires the Secretaries of the Interior and Agriculture to establish annual recreation passes and to develop guidelines for the use of revenue from pass sales. The Secretaries must make use of visitor and sales data in establishing guidelines on recreation pass prices, types of discounts—age and disability—as well as site-specific and regional passes.

* Public Law 108-447; 16 USC 6801-6814

Public Involvement in Setting Fees

FLREA contains specific requirements for the public to be involved in setting fees. The Secretary of the Interior must publish guidelines on the public involvement process and how agencies will report annually to the public on the use of recreation fee revenue.* The law requires the use of Recreation Resource Advisory Committees in each state or region to recommend the fees and sites where fees will be charged. FLREA also specifies the membership of the Committees, the process to be followed in setting fees, and requires posting notices of fees at each location where fees are to be charged.

Fee Revenue Remains Local

FLREA expressly articulates the cost of service foundation for the fees in its requirements for the use of fee revenue. The law requires that no less than 80 percent of the recreation fee revenue remain in the unit or area where collected and provides for a limited subsidy of other recreational areas if fee revenue exceeds the amount of funding needed in the area collected.

TEXAS PARKS AND WILDLIFE DEPARTMENT

Similar to California state parks, Texas funds its Parks and Wildlife Department (TPWD) with a combination of general fund, user fees, donations, gifts, and grants. Where California law is unspecific about state park fees,[†] the Texas Parks and Wildlife Code (TPWC) authorizes TPWD to collect park entrance fees, user fees, and facility fees. Further, the TPWC requires that fees be set by the Texas Park and Wildlife Commission, via regulation, and specifies that the facility fees should recover the costs of providing the amenities. Texas' approach to funding its park system implies that TPWD employ the classification-of-service and cost-recovery strategy described above.

- TPWD may “charge and collect park user fees for park services.” The user fees are set by the Parks and Wildlife Commission. (TPWC Sec. 13.015.)
- Fees charged by TPWD for the “use of a facility or lodging at a state park may vary on a seasonal basis and may be set in an amount to recover the direct and indirect costs of providing the facility or lodging and provide a reasonable rate of return to the department. Items to be considered in setting a fee include the cost required to provide, maintain, and improve amenities available at the site and seasonal variables such as the cost of staffing to meet demand and costs of heating or air conditioning.” (TPWC Sec. 13.0191.)
- Wherever feasible, TPWD may “charge and collect an entrance fee to state park sites.” (TPWC Sec. 21.111.)

* The U.S. Forest Service website describes the recreation fees, passes, and use of fees, as well as the role of Recreation Resource Advisory Committees <http://www.fs.fed.us/passespermits/about-rec-fees.shtml>.

[†] PRC Section 5010 states that DPR may “collect fees, rents, and other returns for the use of any state park system area, the amounts to be determined by the department.”

The Texas Parks and Wildlife Commission sets the user and facility fee ranges by adopting regulations.* The fee ranges can be changed by a vote of the Commission, after being publicly posted in the Texas Register and comment is taken in public session. The fee ranges have been raised approximately every five years, as parks have bumped against the upper-range limits. Individual park fees within the ranges are set after Superintendents and the TPWD business program perform a market analysis of fees at nearby sites, occupancy rates, and so forth. This review is done on a roughly annual basis and proposed fees are submitted to the executive director of TPWD, who can approve the fee changes as long as they are within the approved ranges.²⁶

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE

For funding the Department of Fish and Wildlife (DFW), the California Legislature applied the SCCR approach. The California Fish and Game Code (FGC) expresses the Legislature’s intent that DFW should receive “adequate funding from appropriate sources.” The statute then specifies that the costs of “nongame fish and wildlife programs shall be provided annually in the Budget Act by appropriating money from the General Fund” as well as nongame user fees. The costs of commercial fishing are to be covered by revenue from commercial fishing taxes, licenses, fees, etc., while the costs of hunting and sportfishing programs are to be paid out of hunting and sportfishing revenues and related funds. Similarly, other resource management programs have dedicated funding sources.[†]

The FGC also describes how DFW and the Fish and Game Commission should set, recalculate, and increase fees—requiring the Fish and Game Commission to establish or increase fees by regulation, which has a significant public involvement requirement. Further, the law specifies that fees established by the Fish and Game Commission shall be in an amount sufficient to recover all reasonable administrative and implementation costs of DFW and the Commission relating to the program for which the fee is paid.[‡]

This connection between DFW programs and appropriate funding sources resulted from a years-long effort to solve problems with DFW, and was implemented primarily by two pieces of legislation: AB 2376, Huffman, Chapter 424, Statutes of 2010; and SB 1148, Pavley, Chapter 565, Statutes of 2012. Additionally, there were audits, reports from the Legislative Analyst, a blue ribbon commission, and a strategic vision created by a stakeholder group—all of which tried to identify the right mix of reforms and funding for DFW and the Fish and Game Commission. An analysis of SB 1148 by the Senate Committee on Natural Resources and Water described DFW’s history of budget cuts, General Fund volatility, and the range of stakeholder concerns about the Department’s programs—a story strangely similar to the recent history of DPR.²⁷

* Texas Administrative Code Title 31 Part 2 Chapter 59 Subchapter 59A Rule 59.1-59.4

† California Fish and Game Code Section 711(a)(1)-(6)

‡ California Fish and Game Code Section 1050

GEORGIA STATE PARKS

Georgia State Parks (GSP) experienced a 39 percent budget reduction in 2009—additional cuts since then resulted in a 44 percent cut in state appropriations. The Georgia Legislature directed them to “pursue self-sufficiency.” Consequently, GSP had to take immediate action to reduce services and develop a plan to become more sustainable. Working with legislature and community groups, GSP developed a strategy that involved preparing individual cost assessments and business plans at all 65 park units. Business planning was done at each park, and all plans will roll forward into the development of a statewide strategy.²⁸ GSP charted a path to achieve a 75 percent sustainable park system by 2015, striving for “the proper balance between state funds and self-sufficiency, between stewardship and revenue generation.”²⁹

Over time, GSP performed a cost analysis of all functions, using timesheets to record all activities at all locations. GSP learned the actual cost of operations and developed a baseline cost (even though they were already deeply cut and operating at less than optimal or even adequate funding levels). The organization allocated their available funding and determined the amount of revenue needed to make up their costs of operations. GSP empowered park managers to make pricing decisions at the park level and are currently developing incentives for local revenue.

The move toward sustainability forced the management team to recognize that the role of Headquarters was to set the performance goals, and the role of the field was to implement through all available opportunities. This approach promoted entrepreneurial behavior at the front line. Business plans at park units, incorporating the classification of services approach, included cost-recovery targets and pricing strategies. These documents are based on templates and guidance provided in a consultant report prepared in 2011, entitled “Planning Manual—Business & Management Plan.”³⁰

CALIFORNIA STATE PARKS FINANCIAL PLANNING STUDY

In 2012, DPR hired a team of consulting firms to develop financial planning tools that could be used at each park in the system. The goal of the study was to help DPR move toward a more financially sustainable model, partly in response to Governor Brown’s Executive Order B-13-11, issued in December 2012, which calls for “zero-based budgeting, performance measures, cost-benefit analysis...that can assist in increasing effectiveness and achieving a balanced budget.”*

The “Financial Planning and Cost Efficiency Study” (the Study) was submitted to DPR in August 2013.[†] It laid out the steps needed for DPR to develop a funding strategy based on SCCR. The consultants also developed a financial plan template and a template for district staff to analyze business opportunities.³¹

The Study used the terms “essential,” “important,” and “value-added” to describe the three broad categories of goods and services provided at state parks. The Study included a matrix that

* The full text of the Executive Order can be viewed at <http://gov.ca.gov/news.php?id=17335>.

† The Study and templates are available from DPR upon request.

described the characteristics of essential, important, and value-added services, shown below in Table 3. The Study included the concepts of access and competition to help managers determine which services lend themselves to monetary pricing. Working with DPR staff, the consultants developed a list of 47 services, which were then classified as one of the three categories.*

Table 3. Example service classification criteria for California State Parks

Characteristic	Essential Services	Important Services	Value-Added Services
Public interest	High public expectation	High public expectation	High individual- and interest-group expectation
Financial sustainability	Free, nominal or fee tailored to public needs — Requires public funding	Fees cover some direct costs — Requires a balance of public funding and a cost-recovery target	Fees cover most direct and indirect costs — Needs some public funding as appropriate
Benefits—e.g., health, safety, and protection of a valuable asset	Substantial public benefit (negative consequence if not provided)	Public and individual benefits	Primarily individual benefits
Competition in the market	Limited or no alternative providers	Alternative providers unable to meet demand or need	Alternative providers readily available
Access	Open access by all	Open access/ limited access to specific users	Limited access to specific users

Note: A version of this matrix appears on page 14 of the “Financial Planning and Cost Efficiency Study” prepared for DPR by Pros Consulting/CHM Government Services, August 2013.

One of the Study’s main findings was that DPR does not have the data needed to perform the cost-of-service analysis. In addition, the consultants noted that the greatest challenge in performing a cost-of-service analysis for DPR is to distinguish between current costs and optimal total costs, as the lack of stable funding has affected the support of operations.^{31, p. 6} However, the Study included financial plans for three pilot districts using an approximation of the cost of

* The services included such things as natural or cultural resource maintenance and protection; interpretation and education; and public safety. The list of services and criteria for inclusion in each of the three categories are included in the Appendix.^{31, pp. 16-21}

service and service classification model. The consulting team also described how DPR could proceed to establish a foundation for a revenue program, and how DPR could move toward more refined assessments as better data are collected and analytical systems created.

The overall recommendations for enhancing revenue were as follows:^{31, pp. 30-35}

- Commit to classification of services as a key funding allocation principle: “Leadership must consider supporting the concept of classification of services because it is the basis for funding allocation as well as for pricing products and services. Unless this concept is supported at the highest level as a fundamental component of revenue and cost management, most revenue management decisions will not have a logical basis for support.”
- Establish pricing policy based upon the classification and cost of service model: “The California State Park (CSP) system has no formal, written pricing policy... A pricing policy needs to be established that includes rationale for pricing, strategies to set prices, and options permitted for consideration in regards to collecting fees.”
- Consider introducing “dynamic pricing” within the state park system: “A pricing policy should also address pricing strategies which are designed to align with policy goals and visitor expectations for services.” Examples of pricing strategies included peak-demand and group discounts, as well as various discounts or prices that differ by location, exclusivity, level of benefits received, age, volume, and competition.
- Expand and integrate fee collection across the system: “System-wide strategies need to be developed for fee collection methods.” The pricing policy needs to include the best fee collection method for each unit.
- Establish business opportunity analysis processes: “Identifying expanded or new business opportunities for revenue enhancement requires a focus on understanding if business opportunities exist at the unit level.” The Study included a “Fiscal Strategy Workbook” for district superintendents, which was designed to be the first step in identifying business opportunities. “Additional analysis needs to occur to evaluate if the opportunities are feasible from a market, financial and investment perspective.”
- Evaluate implementation of a reservation system recognizing evolving industry trends: “In essence the reservation system can be a revenue generator for the park system in addition to a service to its visitors. As such, prior to the issuance of future Requests for Proposals for reservation systems, DPR should evaluate alternative reservation models.”
- Evaluate potential changes to concessions program processes: Specifically, the Study recommended simplifying the bidding process for smaller contracts, and developing the tools and capacity to do in-house feasibility assessments.

The Study also included recommendations for enhancing site visitation and management, pricing strategies based on the cost of providing services, and expense management. The expense management recommendations included assigning appropriate personnel to tasks, applying

alternative management techniques (such as reduced operating seasons and alternative staffing options), and adjusted levels of service (“doing less with less instead of trying to do the same with less”).

These recommendations are consistent with what other park systems have done to implement the SCCR approach. It is not clear whether DPR intends to implement any or all of these recommendations.

Illustration of the SCCR Approach For DPR

Implementing the SCCR approach requires detailed cost-of-service information at the park unit level. However, DPR does not currently account for costs at the park level. DPR is developing a new approach to budgeting and accounting at the park level* but it may be some time until it has enough data to determine its cost of various services and to set prices based on those costs.

In the meantime, however, there are steps DPR could take to approximate the SCCR model, which would enable DPR to develop a pricing policy and a strategy for revenue generation. In January 2014, DPR submitted park unit operating cost information for FY 2010-11 to the Legislature.³² DPR described the data as estimates that distributed district-level expenditures across parks within the districts. The cost data, combined with park activity information from DPR's website and visitation and revenue data from DPR's Annual Statistical Report, provide a basis for approximating the SCCR approach to setting revenue targets.

This section applies the SCCR approach to DPR's existing data to produce policy-based revenue targets for the parks. The resulting targets are based on the FY 2010-11 cost of operating each park, and take into account each park's ability to generate revenue, approximated by the relative degree of private goods and services found at each park. This approach addresses the policy concerns discussed earlier in this report:

- Parks with the least amount of services have the lowest revenue targets and the highest degree of public funding subsidy, reflecting the general expectation that access to public lands should be low cost;
- Parks with the most services that benefit individual visitors, and therefore the ability to earn more revenue, have the highest revenue targets and the lowest public funding subsidy;
- All parks are expected to earn some revenue, which increases the fairness and equity of the funding strategy and revenue program; and
- Fee revenue remains within the park where earned, until the park achieves its cost-based revenue target, which creates an incentive for districts to generate revenue and helps increase public acceptance of fee programs.

CURRENT DPR REVENUE TARGETS

This section briefly reviews DPR's current method of allocating available funding and developing revenue targets. State law[†] requires all DPR revenue to be deposited to SPRF, which is then appropriated to DPR through the annual budget process. DPR distributes SPRF throughout the park system, including headquarters. In practice, districts and headquarters divisions receive a mix of funds, including General Fund,

* The Director's Report from Park and Recreation Commission meeting in November 2013 described the effort to develop a "business intelligence system" that would have detailed cost accounting and information about park visitation and revenue. The Report stated that DPR anticipates releasing the RFP for the system in early 2014.

[†] PRC Section 5010(b)

special funds, and SPRF. Annual budget allocations are generally based on what each district or division received in the previous year, adjusted for the current year's funding level and other factors, such as personnel cost changes and special funding. Internal budget allocations are not (yet) based on the cost of operating the parks.

DPR set the required two-year revenue targets in October 2012. According to DPR's website, the targets were based on "previous year revenue capabilities."^{*} "Revenue capabilities" are not necessarily related to operating costs or the degree of private services offered. Initial revenue targets were set lower than FY 2011-12 earnings for 10 districts, presumably due to reduced funding and operating agreements. According to PRC Section 5010.7, revenue identified as being in excess of the revenue targets is to be transferred to the SPRF Incentive Subaccount. Those districts that exceeded their targets are to receive from the Subaccount 50 percent of the amount of revenue earned above their target.

Table 4 shows each district's revenue for the last two years, FY 2012-13 targets, the difference between FY 2012-13 revenue and target, and the expected incentive payments.

^{*} Targets are available online at http://www.parks.ca.gov/?page_id=25978.

Table 4. District revenue and targets (in thousands)

District	Revenue FY11-12	Revenue FY12-13	Revenue Target FY12-13	Difference	Incentive Payment
Orange Coast District	\$18,295	\$21,579	\$19,351	\$2,228	\$1,114
San Luis Obispo Coast District	\$13,893	\$15,245	\$15,118	\$128	\$64
San Diego Coast District	\$12,046	\$12,684	\$11,932	\$752	\$376
Santa Cruz District	\$6,878	\$7,128	\$7,157	-\$29	-
Channel Coast District	\$6,578	\$6,978	\$6,982	-\$4	-
Monterey District	\$5,952	\$6,359	\$6,117	\$242	\$121
Angeles District	\$4,958	\$5,683	\$5,108	\$575	\$288
Gold Fields District	\$4,343	\$710	\$663	\$47	\$24
Central Valley District	\$3,528	\$3,372	\$3,076	\$296	\$148
Northern Buttes District	\$3,361	\$3,364	\$3,215	\$148	\$74
Sierra District	\$3,355	\$5,094	\$3,673	\$1,420	\$710
North Coast Redwoods District	\$3,345	\$3,228	\$2,950	\$278	\$139
Diablo Vista District	\$2,779	\$3,534	\$2,275	\$1,259	\$629
Inland Empire District	\$2,773	\$3,024	\$2,793	\$231	\$115
Marin District	\$2,280	\$2,411	\$2,251	\$160	\$80
Capital District	\$1,748	\$1,837	\$1,720	\$117	\$58
Mendocino District	\$1,610	\$1,814	\$1,608	\$206	\$103
Tehachapi District	\$1,552	\$1,747	\$1,669	\$78	\$39
Colorado Desert District	\$1,452	\$1,571	\$2,341	-\$771	-
Russian River District	\$1,360	\$1,326	\$1,042	\$283	\$142

Note: FY 11-12 revenue data come from California State Park System Statistical Report 2011-12 Fiscal Year. Data on FY12-13 revenue and targets were downloaded from the California State Senate Natural Resources and Water Committee website (<http://sntr.senate.ca.gov/2014informationaloversighthearings>). Values in this table have been rounded; numbers in the Difference column were calculated prior to rounding.

CLASSIFYING PARKS BY LEVEL OF PRIVATE BENEFITS TO VISITORS

To develop SCCR-based revenue targets, DPR's listing of activities available at each park served as a proxy for the classification of services. DPR's website includes a "Find a Park by Activity/Facility" page, on which one can search for parks by activity (e.g., swimming, boat ramps, hiking trails, etc.).* Assuming that activities represent benefits for individual users, each park received one point for every activity offered and the total number of activities served as an indicator of private benefits and revenue earning potential in each park.

* <http://www.parks.ca.gov/ParkIndex/> There are 45 activities: beach wheelchair; bike trails; boat-in camps; boat mooring; boat ramps; boat rentals; campers; cottages; drinking water available; en route campsites; environmental campsites; exhibits and programs; family campsites; fishing; floating campsites; food service; group campsites; guided tours; hike or bike campsites; hiking trails; historical; horseback trails; lodging; museums; nature trails; off-highway vehicles; parking; picnic areas; primitive camping; reservations recommended; restrooms; rustic cabins; rv dump station; rv hookups; scuba diving; showers; supplies; surfing; swimming; tent cabins; trailers; visitor center; vista point; wildlife viewing; and windsurfing.

The ability to collect fees for services that benefit individual visitors is the key to this illustration. This illustration rests on the assumption that as a park's number of activities increases, the proportion of the park's costs directed to providing services benefiting individual visitors, rather than the general public, also increases. Using the activities and amenities listed on DPR's website to approximate the revenue earning potential restrains the analysis to the activities that DPR thinks the public wants at state parks.

The approach has several important drawbacks, however, that limit its usefulness to an illustration. First, not all of the amenities or services associated with private benefit are included in DPR's "Find a Park by Activity/Facility" tool. A particularly striking example is the omission of "golf course" as an amenity. The degree of private benefit associated with parks that have golf courses, such as the Lake Tahoe Golf Course, located in the Lake Valley State Recreational Area, is underestimated in this exercise because such parks do not receive any points for this costly private benefit. Other examples include amenities such as conference centers, amphitheatres, and wi-fi capability offered at the lodging facilities within some parks. While the omission of such features does not reduce the utility of the "Find a Park by Activity/Facility" tool for its intended purpose (connecting potential visitors with information on their favorite activities and facilities), its use here underestimates the degree of private benefits offered by some parks.

A second limitation in this illustration is that the scoring does not vary with the costs or degree of private benefit associated with each activity/facility. For example, the cost of developing and maintaining "Group Campsites" likely exceeds that of "Picnic Areas." Similarly, individual visitors derive more private benefits from "RV Hookups" than from "Wildlife Viewing." Each of these attributes earns one point for the park in which it occurs, regardless of the greater cost or higher private benefit inherent an activity or facility. Assigning scores in this way simplifies the illustration and avoids imposing values on the analysis.

Total scores for the number of activities/facilities offered by each park ranged from zero to 27. Of the 279 parks in the system, the illustration excluded all parks with operating agreements because FY 2010-11 data on their activities, revenue, visitation and costs are incomplete.* The analysis also excluded the eight State Vehicle Recreation Areas (SVRAs) because the Off-Highway Vehicle (OHV) Trust funds these parks and their revenue goes into the OHV Trust.

Figure 2 shows the distribution of park activity scores across the remaining 236 parks, grouped as follows:

- The 68 parks with 0-5[†] points were designated as "Bucket 1," which are those parks with mainly public benefits and the least amount of private benefits;
- The 100 parks scoring 6-15 points were designated as "Bucket 2," which have a mixture of public and private benefits; and

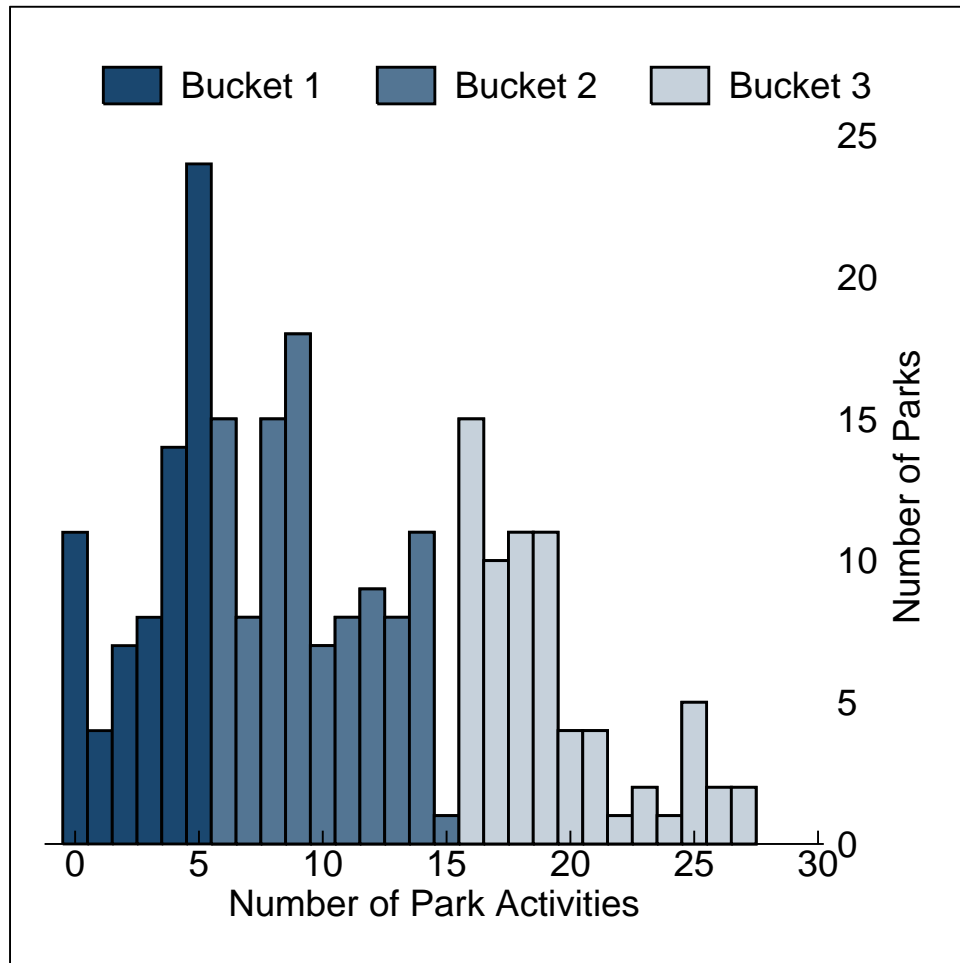
* The Annual Statistical Report does not include visitation and/or revenue data for all parks with operating agreements. Operating cost data are also unavailable for these parks.

[†] The cutpoints used for this illustration are relatively arbitrary. Any number of different thresholds could be used—exploring a number of alternative cutpoints revealed that they did not significantly affect the substantive conclusions outlined here.

- The 68 parks with 16-27 points were designated as “Bucket 3,” which offer the most private benefits.

If this approach works to distinguish parks that offer mostly public benefits from those offering private benefits, one would expect to find that parks in Bucket 1 have relatively low visitation (and most of it unpaid), revenue, and operating costs. In contrast, one would expect the parks in Bucket 3 to have relatively high visitation (and most of it paid), revenue, and operating costs. The analysis yields results consistent with these expectations.

Figure 2. Variation in the number of activities across parks and buckets



Note: Histogram of the number of activities associated with parks based on DPR's "Find a Park by Activity/Facility" tool.

Table 5 presents data on the combined visitation, revenue, and operating costs of parks in each bucket. In Bucket 1, the median number of facilities/activities is four. Most of the parks in Bucket 1 had zero paid visitors in FY 2011-12 and, as a group, they accounted for only 6 percent of all paid visitation. A similar picture emerges with respect to revenue, where most parks in Bucket 1 reported no revenue in FY 2011-12 and did not have user fees posted on DPR's website. As a group, the parks in Bucket 1 account for less than 2 percent of total revenue. Low visitation and revenue suggest that the parks in Bucket 1 provide more public benefits, such as the protection of natural and cultural resources, than services to individual visitors. Such parks

may not have many visitors, may be in remote locations, or may lack controlled entry points to collect fees.

Table 5. Illustration of potential bucketing system

Item	Overall	Bucket 1 (0-5)	Bucket 2 (6-15)	Bucket 3 (16-27)
Number of parks	236	68	100	68
Median number of activities	9	4	9	18
Visitation FY 10-11				
Paid Day and Camping Visitors (in millions)	21.15	1.33	8.78	11.04
Unpaid Day Visitors (in millions)	39.55	4.95	20.29	14.30
Parks that report 0 visitors	19	18	1	0
Parks that report 0 paid visitors	69	45	24	0
Revenue FY 10-11				
Total revenue (in millions)	\$94.01	\$1.58	\$42.04	\$50.39
Parks with no user fees set on DPR website	69	48	21	2
Parks that report no revenue	67	45	22	0
Operating Costs FY 10-11				
Total Costs (in millions)	\$235.63	\$18.75	\$100.92	\$115.96
Overall Cost Recovery	40%	8%	42%	43%
Parks with reported cost recovery of 0%	66	43	23	0
Parks with reported cost recovery of 100% or more	7	1	3	3
Potential Revenue Targets				
Expected Cost Recovery	-	25%	50%	75%
New Target (in Millions)	\$142.12	\$4.69	\$50.46	\$86.97
Revenue Gap (in Millions)	\$48.11	\$3.11	\$8.42	\$36.58

Note: Visitation and revenue data come from the California State Park System Statistical Report 2010-11 Fiscal Year. Data on operating costs are based on the Department of Parks and Recreation Park Unit Costing January 24, 2014. Data on user fees were downloaded from DPR's website (www.parks.ca.gov/pages/737/files/current_web_day%20use.pdf). This illustration includes only non-OHMVR parks for which visitation, revenue, and operating cost data were available. This focus excludes eight State Vehicular Recreation Areas, Cambria State Marine Park, and 30 parks operated by local governments or non-profit organizations through individual operating agreements with California State Parks.

In contrast, the visitation and revenue data reported in Table 5 for the parks in Bucket 3 suggest a high degree of private benefit. Here the median number of activities/facilities is 18. More than half of all paid visitation is to the 70 parks in Bucket 3. Further, no parks in Bucket 3 report zero visitors or zero paid visitors. More than 50 percent of total revenue comes from these parks, and no parks report zero revenue. The visitation and revenue data are not, by themselves, particularly interesting for this illustration except to confirm that using the activities and facilities posted on DPR's website to categorize parks as low/medium/high private benefit yields plausible results.

DETERMINING COST RECOVERY GOALS

With the parks organized into groups according to the amount of private benefits they provide, the next step is to establish revenue targets by considering the appropriate level of cost recovery for each group. Because the parks in Bucket 1 generally provide more public benefits, it makes sense to fund these parks mostly with public funding sources such as the General Fund. On the other hand, a considerable portion of the costs associated with operating parks in Bucket 3 are devoted to providing services enjoyed by individuals. As such, most of the funding for parks in Bucket 3 should come from user fees.

This illustration assumes a 25 percent cost-recovery target for parks in Bucket 1, increasing to 50 percent for parks in Bucket 2, and 75 percent for parks in Bucket 3. Although most of the operating costs of parks in Bucket 3 result from providing private services and activities, Bucket 3 parks also provide public goods (e.g., unspoiled scenic views to enjoy from a group campsite with RV hookups). Therefore, this illustration provides a 25 percent subsidy to protect the natural and cultural resources in these parks (public goods) that draw so many visitors. These percentages are arbitrary and for illustrative purposes only, but they are consistent with the concepts of SCCR discussed earlier.

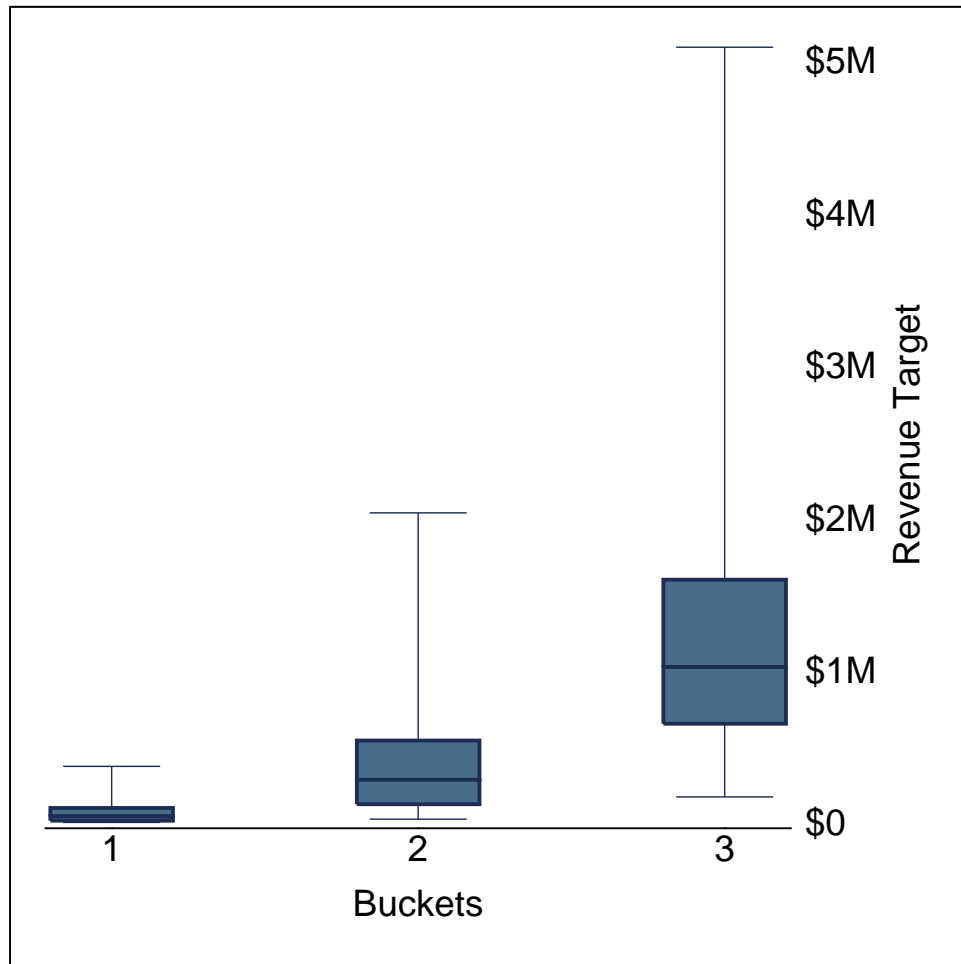
Table 5 shows the FY 2010-11 revenue of \$94 million for the parks included in this analysis, and the overall \$142 million revenue target calculated by this exercise. It also shows that parks in Bucket 3 bear most of the responsibility for meeting the total revenue gap of \$48 million, which is consistent with the expected outcomes of this analysis. Parks in Bucket 1 must produce the smallest increment of new revenue, while Bucket 2 falls in the middle. Compared with DPR's earned revenue from FY 2012-13, the revenue gap falls to \$30 million.*

REVENUE TARGETS

To be clear, each park receives its own target based on its estimated operating costs and the bucket to which this analysis assigns it. The boxplots in Figure 3 display the variation in revenue targets across the three buckets. Within these plots, the bottom and top of each box represent the first and third quartiles for each bucket (the revenue targets for the 25th percentile and the 75th percentile), the line in the middle of each box identifies the median target within the bucket, and the lines extending above and below the box denote the minimum and maximum target.

* DPR reported total revenue of \$112 million in FY 2012-13.

Figure 3. Variation in the targets across parks and buckets



Note: The bottom and top of each box represent the first and third quartiles for each bucket (the revenue targets for the 25th percentile and the 75th percentile), the line in the middle of each box identifies the median target within the bucket, and the lines extending above and below the box denote the minimum and maximum target. This figure excludes Hearst San Simeon State Historical Monument here because its target of \$8 million is an outlier (it earns roughly \$10 million annually).

Revenue targets are generally higher as one moves from Bucket 1 to Bucket 3. The median target in Bucket 1 is roughly \$40,000 compared to \$1,000,000 in Bucket 3. Also, the variation in targets increases as one moves across buckets. In Bucket 1, targets range from \$650 to \$360,000 with the vast majority of parks below \$100,000. In fact, the range of observed targets in Bucket 1 is so narrow, it is impossible to distinguish between the median, 25th percentile, and minimum given the scale in Figure 3. In Bucket 3, targets range from \$160,000 to \$5,000,000 with most parks somewhere between \$600,000 and \$1,500,000.

These revenue targets appear reasonable because they fit with the assumptions about the types of services provided by the different categories. Bucket 1 receives targets requiring the lowest revenue increase, which is consistent with the assumption that the parks in Bucket 1 provide mainly public goods. Because of the high number of parks with no paid visitors, one source of revenue for these parks would be to collect fees from all visitors, which would mean a \$0.63 fee

for each of the estimated 4.95 million unpaid visitors (see Table 6). Alternatively, the target could be reached by collecting an additional \$2.34 from each paid visitor. These low fees are consistent with the typical range of fees charged for day use at many state parks, and are unlikely to encounter opposition. This illustration ignores the costs of collecting additional fees, which would have to be factored into the revenue analysis.

Bucket 3 receives the highest revenue target of the three categories at \$86.97 million, an increase of \$36.58 million over what these parks earned in FY 2010-11. However, Bucket 3 parks also have greater capacity to earn revenue due to high numbers of paid visitors and higher levels of private services and benefits available at these parks. To achieve the revenue target, Bucket 3 parks could charge an additional \$3.31 per paid visitor, or \$2.56 per unpaid visitor (see Table 6). Because these parks already have the lowest rate of unpaid visitation, one could assume that it might be infeasible or too expensive to collect fees from unpaid visitors. Therefore, park managers might look to generating additional revenue from new programs and services. Park managers would need to incorporate the costs of providing new services into the revenue generation strategy. Such costs might include the expenses of soliciting and managing new concessions or of investments in additional infrastructure.

FUND ALLOCATION STRATEGY

The cost recovery rates and revenue targets proposed above rely on approximated service classification as the basis for allocating the available funding. This illustration gives Bucket 1 parks a 75 percent General Fund subsidy because of the prominence of public goods and services at those parks. Because Bucket 2 parks include a mix of public and private services, Bucket 2 parks receive 50 percent of their operating costs from the General Fund. Similarly, Bucket 3 receives the smallest subsidy—25 percent—from the General Fund. Based on this formula, the 236 parks in this illustration received \$93.51 million of General Fund. In FY 2010-11, DPR had \$117.4 million in General Fund for support of the park system. Consequently, this funding allocation would have left an additional \$23.89 million of General Fund to allocate to the parks not included in this analysis or to cover the costs of DPR's nonpark functions.

This allocation strategy also assumes that the target of \$142 million in earned revenue would remain in the parks that collect it. Provisions could be made for distributing some portion of revenue earned over and above the targets to support the park system while not deterring parks from increasing their revenue. In contrast, DPR's current practice is to redistribute SPRF to subsidize those parks that earn less in user fees. Under this illustration of the SCCR approach, General Fund would be the primary source of funding for the parks that earn less in user fees (Bucket 1 parks), because public goods and services should be paid for with general tax revenue.

This analysis did not address two aspects of DPR's budget and expenditures. First, other than SPRF, it did not distribute the special funds available to DPR in FY 2010-11, which amounted to approximately \$132.75 million. Special funds include bonds, federal funds, environmental license plate fees, as well as \$51.5 million from the OHV Trust Fund, which pays for the operation of the eight SVRAs, four OHV districts, and the Off-Highway Motor Vehicle Division (OHMVD) in headquarters (this illustration excluded the OHV districts and SVRAs). Most of these funds have restricted uses, such as specific resource management and planning programs. Without knowing the applicable uses and restrictions, this illustration could not allocate the

funds across the Buckets. Second, this illustration excludes the undistributed nonpark costs of DPR's operation. These include the Acquisition and Development Division, a significant portion of the non-shared costs of the Administrative Services Division, Executive Staff, OHMVD headquarters, etc. According to DPR's expenditure summary for FY 2010-11, these undistributed nonpark costs exceed \$50 million.³² Complete allocation of all available funding to all services performed by DPR would reduce the total amount of revenue needed to close the gap between available funds and expenditures.

A funding strategy based on service classification would remedy the current disincentives facing high-revenue districts, which do not retain all of the revenue that they earn.* Such a strategy would also enable DPR to inform park visitors that their fees would remain local to pay for maintenance and operation of the parks. If parks exceed their revenue targets, some portion of the excess revenue would need to remain local while the rest could be used to subsidize other parks. The existing statutory provisions for district incentives would need to be revised to reflect this approach to allocating DPR's funding.

This analysis relies on DPR's park-unit expenditure estimates for FY 2010-11, which do not reflect the true cost of operating the state park system. Although there is general agreement that DPR is underfunded, it is not clear what the "right" amount of funding is. However, it is not necessary to know the "right" amount of funding if the classification-of-service and cost-recovery approach is used to distribute the available funding. By allocating general tax dollars to pay for the benefits that the public expects from state parks, and using fee revenue to pay for services that benefit individuals, this approach provides a strong public policy foundation for a revenue generation strategy to bridge the funding gap.

DISCUSSION

This illustration approximates the SCCR approach using DPR's existing data. The intent was to determine whether the approach would produce reasonable revenue targets, taking into account the amount of General Fund available. By classifying all of the parks into three categories, allocating funding according to the degree of public benefits provided, and assigning a cost-recovery level to each category, this example produced individual revenue targets for parks. Altogether, the 236 individual targets summed up to a systemwide target that appears achievable mainly by collecting low fees from all park users. To reach such a target, DPR might also need to develop new services or concessions as additional sources of revenue for the park system.

As shown in Table 6, the overall revenue target of \$142 million could be achieved by collecting \$2.34 per visitor. Because of the high level of unpaid visitation statewide, the revenue gap could be closed by collecting \$1.22 per unpaid visitor. These are relatively low fees that might be readily accepted by visitors. Despite the technical and logistical challenges, it would probably be worth the cost to plan and install fee collection and payment systems in many locations. No matter what strategy DPR employs to increase revenue, a robust marketing and public information program would be needed.

* PRC Section 5010.6 and 5010.7 attempt to address the disincentives to districts by giving them 50 percent of the revenues earned from projects funded by the SPRF Revenue Incentive Subaccount and 50 percent of revenue earned over their annual target.

Table 6. Results of Illustrative Bucketing System

Item	Overall	Bucket 1 (0-5)	Bucket 2 (6-15)	Bucket 3 (16-27)
Number of parks	236	68	100	68
Potential Revenue Targets				
Expected Cost Recovery	-	25%	50%	75%
New Target (in Millions)	\$142.12	\$4.69	\$50.46	\$86.97
Target per Visitor	\$2.34	\$0.75	\$1.74	\$3.43
Revenue Gap (in Millions)	\$48.11	\$3.11	\$8.42	\$36.58
Revenue Gap per Unpaid Day Visitor	\$1.22	\$0.63	\$0.41	\$2.56
Revenue Gap per Paid Day and Camping Visitor	\$2.27	\$2.34	\$0.96	\$3.31

Note: Based on data presented in Table 4.

There are many ways that parks could close the revenue gap. Parks with more activities have more options for increasing revenue. Increased camping and day-use fees, peak demand pricing, or hourly pricing could increase revenue at high demand parks. Visitors might accept higher fees if they are used to maintain the park, and if the purpose of each fee is communicated to visitors.* The best solution will depend on the particular circumstances of each park. There are parks where it is likely impossible to collect fees from unpaid visitors, including wide-open public spaces such as Old Town San Diego (6.5 million unpaid visitors), or parks with many unique entrance points such as Sonoma Coast State Beach (3 million unpaid visitors). In these situations, DPR could look at alternative fee structures, such as annual or multiple-day passes for specific parks or regions, as well as different ways to collect fees, such as selling day-use passes online or at commercial outlets near the parks. Other options include developing concessions, creating new fee-based programs, or increasing the contributions from nonprofit partners. The use of the SCCR approach, combined with the funding allocation strategy outlined here, would make it easier to justify and explain new fees and price increases.

The currently available data approximates the cost of operating the state park system, and likely underestimates the true costs. However, the data sufficed to illustrate how DPR could implement a funding strategy that takes public policy concerns into account, and yields reasonable revenue targets for the park system.

This illustration produced reasonable results with limited data. DPR could improve these results by doing the following:

* “Research has also shown that if individuals agree with the purposes of fee spending (e.g. environmental protection), they are more likely to support user fees.... Some researchers argued that if people understand benefits from fees paid, they would be more willing to pay.... Therefore, it is important to make a user fees policy fair and transparent based on the notions of justice and equity. Additionally, the clarification of fee charging purposes and/or the disclosure of fee revenue expenditures should enhance fee-payers’ trust in the program and increase their willingness to support fee programs. Accordingly, the efforts to clearly deliver the purposes and spending procedures of user fees should be made on information and communication channels to tourists (e.g., brochure, visitor guide, website, and/or newsletter).”⁵¹

- Refining information on the activities offered at each park to include more services and features, and to distinguish the more private goods and services from the public goods. For example, DPR could add the fee-for-service amenities at each park, such as hot tubs, golf courses, horseback riding, and concessions that provide lodging and restaurants. It could also weight some services to reflect the higher private benefit—for example, giving 2 points for cabins or food service. More complete information would increase the scores for those parks with more private services, and thereby improve the accuracy of the bucket system.
- Creating more fine-grained categories (e.g., six buckets instead of three) with a flatter gradient and more realistic cost-recovery targets (e.g., cost recovery of 0, 20, 40, 60, 80, and 100 percent).
- Moving from the approximation of the “activities” list to the classification of service and cost-of-service methodology. DPR could use the 47 services and functions developed by three pilot state park regions and outlined in the Pros/CHM Government Services consultant report,^{*} or develop its own set of services. The report illustrated a consensus between park managers regarding what services and functions fell into each category. This analysis could be supported by a public survey of users and non-users to identify the most important and essential services that DPR should provide with public funding and the equity objectives that should be articulated in setting prices.
- Tracking employees’ use of time and park operating expenses according to these services. Over time, DPR would have more accurate cost information, which would lead to better allocation of General Fund to support the essential services. More accurate information would allow for cost-of-service-level analysis and planning rather than the more aggregate park-and-bucket level illustration provided here.

Although DPR does not have the information to fully implement the classification and cost-recovery approach at this time, there is enough data to approximate the methodology. DPR could refine this analysis and develop individual park revenue targets, appropriate to each park’s circumstances. Further, by basing fees on costs and retaining fees at the parks where earned, this approach provides a solid justification for increasing revenue, whether through fees, concessions, or partnerships.

^{*} The Appendix includes the Service Classification Matrix from the Pros Consulting/CHM Government Services report.

Conclusion

Two years ago, the Legislature directed DPR to set revenue targets for each district and increase its revenue. Although the Legislature suggested strategies, such as peak-demand pricing and collecting appropriate fees from all park users, it did not include goals or criteria for determining the right amount of earned revenue. And while DPR exceeded its FY 2012-13 revenue target by \$7 million, the revenue program appears undefined and insufficiently planned.

This report raises the broader question of how should California fund the state park system? The Legislature could provide sufficient General Fund and/or other state funds to support the state park system. By doing so, the Legislature would affirm the importance of the park system to the residents of California. However, while the state's economic outlook has improved, the General Fund remains volatile, and the cost of operating the park system (and correcting the backlog of deferred maintenance) is unknown. Although there is new management at DPR, much remains to be done to address the concerns raised by the State Auditor with regard to DPR's budgeting, accounting, and personnel policies and procedures.³³, pp. 15-16, 20-21 In addition, the Parks Forward Commission's draft report^{*} calls for significant changes to DPR's structure and function. Given the level of effort and strong statewide support behind the Parks Forward Initiative, it would be premature to de-emphasize the importance of revenue generation at state parks at this time.

A second option would be to remove General Fund support altogether and make the park system self-sufficient. Some states have tried this approach, though none have as large or diverse a park system as California's.[†] Although self-funding creates a direct financial relationship between park users and the park system, it ignores the public goods and collective benefits of state parks. In particular, it seems unfair to expect park users to pay for resource protection, open space, and public health and education benefits that accrue to all residents of the state. Further, too much emphasis on fees violates the public's sense of collective ownership and the purpose of public lands.

In enacting the revenue generation mandates, the Legislature assumed there would be a mix of public funds and earned revenue to fund the state park system. The Parks Forward Commission recommends that the future of the park system should involve a mix of funding sources, including more revenue generation, partnerships, and outside funding.³⁴ DPR faces the question of how to find the right balance of the various funding sources, given the purpose, mission, and public expectations of the state park system.

The service classification and cost recovery (SCCR) approach described in this report offers a practical and equitable approach both to developing a revenue generation strategy, and to determining the right amount of public funding to support the state park system. The SCCR approach requires park agencies to make explicit claims about the public values and expectations for the park system, and to then allocate available funding to the most important park functions,

^{*} The Parks Forward Commission's April 23, 2014 draft report is available at <http://parksforward.com/research-reports>. The final report is due in October 2014.

[†] The state of Washington began to shift its park system off the General Fund in 2009. However, after significant study and planning, it was determined that the park system needs the "right mix" of public funds as well as earned revenues and philanthropic support. Ultimately, the Washington Legislature agreed that general taxes would be used in part to fund state parks.⁴⁹

which results in a reasoned foundation for a revenue generation program. User fees would pay for some or all of the costs of services that provide benefits to individual users. Each park's cost recovery expectation would vary, depending on the functions and services available. Earned revenue would make up the shortfall between available funding and the costs of operations. In California, the Legislature set a precedent for this approach in 2012 with amendments to the Fish and Game Code. Those amendments stated the Legislature's intent to fund nongame fish and wildlife programs with the General Fund, while licenses and fees would pay for hunting and sportfishing programs.

The Legislature could require DPR to implement the SCCR approach, the main steps of which were described in the Pros Consulting/CHM Hotel report to DPR.³¹ The challenge lies in developing the three components of this funding strategy—the classification of services and cost recovery determination, the cost-of-services analysis, and the strategy for generating revenue. The following sections describe some of the issues and concerns associated with each of the components and offer some suggestions for the Legislature to consider if it intends that DPR should implement the SCCR approach.

SERVICE CLASSIFICATION AND COST RECOVERY PROCESS

Classifying DPR's services, the heart of the SCCR approach, will require an examination of traditional views about the relative value of the functions and services of state parks. This could be controversial because the classification process evaluates all of the services provided by state parks and determines their relative priority for public funding. Those functions and services determined to be the most important and to provide the most public benefits will receive the greatest public-funding subsidy. Similarly, those services that mainly benefit individual park visitors will receive less public funding and will be expected to recover a greater share of their costs. In addition, the list of services could become the basis of DPR's accounting system, so as to produce usable cost-of-service data.

The service classification process should involve the public in a meaningful way. The process should include a wide range of stakeholders, including DPR staff, park users, elected officials, academic and business experts, and the general public. Robust public involvement will ensure that service classification balances the general public's preferences with the opinions of invested stakeholders. A broad survey to determine a baseline of public opinion about the most important and essential services of the state park system may also be necessary.

In other park systems that have adopted the SCCR approach, consultants have guided the process. Some of the specific issues that will need to be addressed include:

- Establishing criteria for evaluating services as essential, important, or value-added;
- Determining what percentage of costs should be covered by General Fund (or other public funds) for each service category and assignment of cost-recovery goals (includes determining whether these might vary by park type or region, and whether or how often they should be modified as the SCCR approach is implemented);

- Developing pricing objectives (e.g., equity, efficiency, or revenue generation) and policies (e.g., collecting a user fee from all visitors; whether or not to adjust user fees by market conditions, etc.);
- Developing rules to aggregate opinions from the survey and the participants in the process (Who has the final say? Is there a second opportunity for feedback after the initial classification is established?); and
- Providing a process for adjusting these classifications in the event that new services are provided or the state's fiscal situation changes (How will the classifications be updated? Who has the authority? Is public feedback required?).

The Legislature could designate the Park and Recreation Commission as the public forum for implementing the SCCR process. Because of the complexity and potential controversy, consultants may be necessary to guide the SCCR process for the Commission. The Legislature could also identify some priorities or criteria for identifying the functions or services to be paid for with General Fund and policies regarding cost recovery for other functions and services.

COST-OF-SERVICE ANALYSIS

Determining the cost of providing services will require accurate and detailed cost accounting. The cost-of-service analysis requires accounting procedures that will eventually help determine what it should cost to fully operate the park system. Some of the key issues in the cost-of-service analysis include:

- How to track employees' time spent working on each service in different parks and/or headquarters;
- Whether deferred maintenance projects could also be sorted by classification, with implications for priority, public funding, and partnerships;
- How to categorize other expenses (equipment, services, contracts, etc);
- Identification of indirect costs, which include contract management, strategic planning, and distributed costs of headquarters' services; and
- How to systematically combine the employee time allocation data with the other expenses.

The Legislature could require DPR to develop more detailed and efficient accounting systems and practices, possibly specifying performance standards similar to those used by the private sector. This effort should be coordinated with the Parks Forward Commission to ensure that the accounting system (hardware, software, personnel, and practices) will accommodate the future needs of the state park system.

REVENUE GENERATION STRATEGY

DPR needs a revenue generation strategy that includes pricing policies and fee collection strategies. DPR could significantly increase revenue by as much as \$80 million by collecting fees of \$2 per unpaid visitor (although the costs of collecting the fees are unknown). However, the best way to collect user fees will depend on each park's location, configuration, and the

demand for that park. Increased fee collection could produce better data about how many people are visiting state parks. Such efforts need not wait for full implementation of the SCCR process.

The Legislature could direct DPR to collect appropriate fees from all visitors. However, due to widespread concerns about fairness and public access, particularly at the coast, the Legislature should consider designating the Park and Recreation Commission as the public forum for setting fee policies and prices.

The Legislature could also require DPR to develop a revenue strategy consistent with the service classification and cost-recovery objectives. A revenue strategy could include policies for dynamic pricing within the park system, strategies for fee collection, business opportunity and analysis processes, a state-of-the-art reservation system, and concession program improvements.^{31, pp. 30-37} The Legislature could specify the broad components of an adequate revenue generation program, such as statewide or regional strategies for developing concessions (food, lodging, and other visitor services), a statewide program for collecting fees from all users, financial plans for districts and park units, and a program to build capacity for revenue generation through recruitment and training. The Legislature could also specify time frames for developing these plans and strategies.

BENEFITS OF IMPLEMENTING THE SCCR APPROACH

The SCCR approach offers a method for identifying the right mix of public funds and earned revenue to support the state park system. In doing so, the approach offers several benefits in comparison to the current method of allocating funds and generating revenue.

First, under the current approach, no one knows the true costs of the public services and benefits of the state park system. Under the SCCR approach, these costs eventually become known quantities. General Fund (or other public funding) would subsidize the costs of the public goods and services, and possibly some portion of the costs of the private benefits. Earned revenue would fill the gap between the available funding and the costs of the park system. In good budget years, earned revenue might only cover the costs of private services; in lean years when General Fund support is insufficient to cover the public services, earned revenue can be increased to fill the gap. Because DPR would know the costs of public services and benefits, it would have a ready strategy for reducing private services and increasing revenue to respond to cuts in General Fund. Service reductions could be based on the relative priority of public and private benefits. Alternatively, fees could be increased where there is sufficient visitation and services available that can earn more profits. The SCCR approach would create a prioritized system for allocating the available funds.

Second, under the current approach, all earned revenue goes to SPRF to be allocated in the next budget cycle. Districts generally do not get as much SPRF funding as they earned. This method creates a disincentive to generate revenue, which the Legislature addressed with the revenue targets and incentives enacted in 2012. Under the SCCR approach, revenue stays in the park where it was collected. Actual costs of operations determine the revenue targets—consequently, each park and district must hit their target in order to function. Revenue earned above the targets could be allocated in many ways, including the current system that gives districts 50 percent of

revenue earned over their target. As long as parks and districts retain their collected revenue and some portion of revenue earned above their target, they have an incentive to generate revenue.

The incentive also works to motivate park units to be more efficient. Parks that fail to meet their revenue targets would have to cut costs by reducing staff or services, which would encourage parks to spend more efficiently.*

In addition, by keeping revenue in the park where it was collected, visitors would have an incentive to pay user fees. If fees stay local, then visitors will likely be more comfortable paying, even when fees increase. Further, keeping fees local will create stronger incentives to form local partnerships to increase visitation and thereby benefit the park unit.

* The SCCR approach would include priorities for reducing costs and services in the event a park does not meet its target.

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Appendix

NATIONAL ASSOCIATION OF STATE PARK DIRECTORS DATA

This report uses 2011-12 data about all 50 state park systems to compare California's revenue and paid visitation with other states. The National Association of State Park Directors (NASPD) Annual Information Exchange (AIX) survey, hosted by North Carolina State University, gathers information about inventory, facilities, visitation, expenses, financing, and personnel for all state park units in the United States.

The NASPD data are self-reported. Although reasonably accurate, cross-state comparisons must be made carefully because there is such high variation in the composition, operations, and funding of state park systems. CRB obtained the 2011-12 dataset directly from the principal researcher at North Carolina State University. The 2010-11 Report is available online at <http://naspd1.org/dotnetnuke/LinkClick.aspx?fileticket=CfMHJvIqo7Y%3D&tabid=140>.

Table 6 shows that although California earns the most revenue from user fees of any park system, it is in the bottom third with respect to the percentage of visitation that is paid.

Table 6. 2011-12 user fee revenue and paid visitation data

State	Revenue from User Fees (\$ millions)	Percentage of Total Visitation that is Paid
Alabama	\$8.57	100%
Alaska	\$1.01	62%
Arizona	\$10.36	98%
Arkansas	\$4.62	53%
California	\$90.52	36%
Colorado	\$19.42	100%
Connecticut	\$6.05	64%
Delaware	\$5.24	75%
Florida	\$37.65	80%
Georgia	\$10.47	100%
Hawaii	\$1.96	13%
Idaho	\$3.89	100%
Illinois	\$6.44	0%
Indiana	\$17.20	98%
Iowa	\$2.97	0%
Kansas	\$5.37	100%
Kentucky	\$4.78	0%
Louisiana	\$3.78	100%
Maine	\$2.89	58%
Maryland	\$8.00	81%
Massachusetts	\$7.95	23%
Michigan	\$46.61	100%
Minnesota	\$7.45	100%
Mississippi	\$3.02	100%
Missouri	\$5.53	1%
Montana	\$1.43	12%
Nebraska	\$9.73	100%
Nevada	\$3.36	85%
New Hampshire	\$11.64	100%
New Jersey	\$2.79	40%
New Mexico	\$3.82	99%
New York	\$42.50	85%
North Carolina	\$3.57	22%
North Dakota	\$1.83	100%
Ohio	\$13.18	5%
Oklahoma	\$5.43	0%
Oregon	\$17.75	24%
Pennsylvania	\$7.54	5%
Rhode Island	\$5.36	10%
South Carolina	\$11.87	100%
South Dakota	\$10.72	88%
Tennessee	\$3.53	0%
Texas	\$27.92	97%
Utah	\$6.77	100%
Vermont	\$4.06	100%
Virginia	\$6.41	96%
Washington	\$13.50	94%
West Virginia	\$2.13	3%
Wisconsin	\$18.17	99%
Wyoming	\$1.48	40%

Note: National Association of State Park Directors Annual Information Exchange, 2011-12. User fee revenue refers to both entrance fees and camping fees.

Revenue Generation Prioritized Action Plan

"Exceeding Customer Expectations"

2013 – 2014



California Department of Parks and Recreation

July 2013

Director's Message:

The Revenue Generation Program is an important strategy that will assist California State Parks in these times of reduced public funding. State General Fund support, as a percentage of the Department's budget declined from a high of 90% in 1979 to less than 27% in 2012. Consequently, fees and revenue generated by users of parks are increasingly more important to sustain the State Park System.

By implementing the Revenue Generation Program, California State Parks will realize untapped revenue potential through the creation of new services, automation and building capacity to meet demand for recreation by improving facilities.

This Prioritized Action Plan outlines the Department's efforts to implement the Revenue Generation Program. The Prioritized Action Plan includes recommended actions to achieve specific objectives developed by the Department consistent with Legislative mandates. The action items fall under four primary objectives which serve as the major goals for the Revenue Generation Program:

1. Implement innovations that increase mission-consistent revenue.
2. Establish internal controls and business practices to reduce cost of providing services.
3. Strengthen organizational capacity to successfully implement revenue generation program.
4. Implement a framework for data-driven decision making to create actionable insights about customer preferences and to shape marketing, pricing and the services available to existing and prospective customers.

Objective 1: Implement proven practices and innovations that increase mission-consistent revenue.

Action Items:

- 1.1 Implement revenue targets and incentivize districts to exceed those targets.
 - 1.1a Revenue targets were adopted in January 2013 for Fiscal Years 2012-13 and 2013-14 (Attachment 1).
- 1.2 Utilize seasonal employees that immediately generate revenue.
- 1.3 Fund revenue generating projects (Attachment 2).
 - 1.3a Projects: Improve campgrounds and provide overnight accommodations, upgrade special event facilities, repurpose underutilized structures.
 - 1.3b Funding expended to date:
 - Revenue Project development: \$1,093,662
 - Environmental Compliance, Design and Implementation: 9 Projects - Estimated Costs \$4,525,796
 - Reviewed and Recommended by Service Center: 14 Projects - Estimated Costs \$4,277,000
- 1.4 Provide districts access to investment capital to develop future revenue-generating services.
- 1.5 Deploy new technology to enhance fee collection equipment and systems.
 - 1.5a Mobile Payment System Pilot Project currently being tested in field (Attachment 3)
- 1.6 Implement variable fee schedules, including hourly pricing pilots.
- 1.7 Use California State Parks 150th Anniversary celebrations increase visitors to parks.
 - 1.7a Reduce annual pass from \$195 to \$150 during anniversary year.
- 1.8 Update and revise the State Park Annual Pass Program.
 - 1.8a Explore feasibility of selling park passes in retail outlets.
 - 1.8b Create new annual pass categories and pricing in order to maximize purchase opportunities.
- 1.9 Explore partnerships and new business models with regional, county, local and federal partners.

Objective 2: Establish internal controls and business practices to reduce cost of providing services.

Action Items:

- 2.1 Track expenditures and the cost of providing services at the park unit level (Attachment 4).

- 2.2 Improve methodology for accurately forecasting revenue and expenditures.
- 2.3 Evaluate existing and future concession contracts to maximize the value to the State of California while balancing resource protection and stewardship responsibilities.

Objective 3: Strengthen organizational capacity to successfully implement Revenue Generation Plan.

Action Items

- 3.1 Create California State Parks Marketing and Business Development unit.
 - 3.1a Harness talent of existing employees with business-related education, skills and experience
 - 3.1b Recruit or procure for needed skills while building long-term internal capacity for making smart business decisions
 - 3.1c Recruit employees with experience in commercial or public recreation enterprises

Objective 4: Implement a framework for data-driven decision making to shape marketing, pricing and services available to existing and prospective customers.

Action Items:

- 4.1 Implement a Business Intelligence System that collects reliable data for decision making by integrating information from various databases, webpages, and other information sources.
- 4.2 Establish a performance measurement system to measure and manage State Park System.

CALIFORNIA STATE PARKS POLICY MEMORANDUM ON FEES DECEMBER 2011

State of California – Natural Resources Agency

Memorandum

Date : December 8, 2011

To : District and Sector Superintendents

From : Anthony I. Perez 
Deputy Director Park Operations

Subject : Process for Fee Changes

In the current fiscal climate, it is important that our managers have the flexibility to work within their geographic market areas to adjust fees to ensure the greatest revenue return to the department. I support and encourage all Superintendents to be proactive in setting fees to the appropriate levels.

Follow the process below to ensure that any changes made are communicated and recorded as needed to keep all communication, data systems and accountability processes intact. Most fee changes will involve three different offices; Visitor Services, Concessions and Reservations and Public Information.

1. District Superintendents must approve all fee changes.
2. All approved fee changes are forwarded to the Visitor Services Section for review of adherence to the Fee Schedule. Visitor Services will also work with staff from the field to ensure any fee collection machines or other accountability processes are updated.
3. Visitor services will forward your proposed camping changes to the Concessions and Reservations Division to update the reservation system if appropriate. Camping fees on the reservation system require seven months advance notice before the full effect of the change will be realized.
4. Make sure you notify the public. Roy Stearns can work with you to develop a press release if needed.

Any questions regarding this process may be directed to Mary Veliquette, Manager of Visitor Services at (916) 653-7276, mveli@parks.ca.gov.

cc: Roy Stearns, Deputy Director, Communications
James Luscutoff, Chief, Concessions and Reservations
Scott Nakaji, Chief, Northern Division
Ronilee Clark, Chief, Southern Division
Mary Veliquette, Manager, Visitor Services
Administrative Officers


CALIFORNIA STATE PARKS POLICY MEMORANDUM ON ANNUAL PASS PROGRAM NOVEMBER 2013

State of California – Natural Resources Agency

Memorandum

Date : November 25, 2013

To : All Park Employees

From : Brian Cahill 
Assistant Deputy Director
Marketing and Business Development

Subject : Announcing a New Annual Pass Program for the Sesquicentennial Celebratory Year

Effective January 1, 2014, the Department will be rolling out a new and exciting assortment of Annual Passes. The Current Vehicle Day Use Annual Pass and Golden Poppy Vehicle Day Use Annual Passes will be replaced with the following options. All of these options will continue to be valid 12 months from the date of purchase.

- The "150th Anniversary Commemorative Vehicle Day Use Annual Pass" hangtag – Priced at \$150, this pass will include all reservoirs, destination parks, inland parks and beaches north of Angeles District. In addition to the assortment of parks accepting this pass, purchases of this one-year commemorative pass will receive a "Historian Passport" as part of the Sesquicentennial celebration.
- The "Historian Passport" a credit-card style pass – Priced individually at \$50, will provide free admission for up to four people where a per-person entry fee is charged. The Historian Passport can also be used for admission to those museums on the list that charge a Vehicle Day Use Fee by placing the card in the dash where no attendant is on duty.
- The "Surf Explorer" Vehicle Day Use Annual Pass" hangtag – Priced at \$195, includes all of the parks included on the current Vehicle Day Use Annual Pass including the popular Southern California beaches and features a beautiful surf design.
- The "California Experience Vehicle Day Use Annual Pass" hangtag – Priced at \$75 is added to respond to the public's demand for a lower priced pass that can be used at over 70 outstanding parks in northern California and some central and southern inland parks.

All other Annual Passes and Discount Passes remain the same until further notice.

We expect to receive the first shipment of the new passes by mid-December in time for holiday gift sales. The DPR 139 (Accountable Documents Requisition) will be modified to include these new passes. In order to reduce confusion with the new distribution of parks, please ensure that each purchase of a pass includes the terms and conditions and list of parks accepting and not accepting the pass.

Please see attached Departmental Notice No. 2013-04 for policy direction.

If you have any questions please contact Brian Cahill, Assistant Deputy Director for Marketing and Business Development (916) 653-3460 or brian.cahill@parks.ca.gov.

State of California - Natural Resources Agency DEPARTMENT OF PARKS AND RECREATION		MANUAL
DEPARTMENTAL NOTICE		Operations
No. 2013-04		CHAPTER
SUBJECT		1800 Park Operations (old) DOM 1400, Field Operations
Annual Pass Changes		REFERENCE
ISSUED	EXPIRES	
November 26, 2013	When incorporated	

DPR 375 (Rev. 1/2011)(Word 1/20/2011)

WHEN APPLICABLE, ENTER THE NUMBER AND DATE OF THIS DEPARTMENTAL NOTICE IN THE MARGIN OF THE MANUAL PAGE, ADJACENT TO THE SECTION(S) AFFECTED BY IT.
This Departmental Notice has been re-created for transmittal in electronic format. The original notice was signed by Stephen Lehman, Deputy Director, Park Operations.

This Departmental Notice changes the Department's Annual Pass Program.

The following passes will be discontinued effective January 1, 2014. All passes previously sold with validations through December 2014 will continue to be honored.

- The Vehicle Day Use Annual Pass.
- The Golden Poppy Vehicle Day Use Annual Pass.

The following passes are added effective January 1, 2014:

- The Surf Explorer Vehicle Day Use Annual Pass is created with a price point of \$195.00.
- The 150th Commemorative Vehicle Day Use Annual Pass is created with a price point of \$150.00. For the Anniversary year, the Historian Passport Pass will be included with the purchase of this pass.
- The Historian Passport Pass is created with an individual price point of \$50.00.
- The California Experience Vehicle Day Use Annual Pass is created with a price point of \$75.00.

All other passes will remain in effect without change.

Any questions regarding this notice may be directed to Brian Cahill, Assistant Deputy Director, Marketing and Business Development at (916) 653-3460 or brian.cahill@parks.ca.gov.



Steve Lehman
Deputy Director
Park Operations

FEE INCREASES—A TALE OF TWO COASTS

At first glance, state parks on the coast might appear to be good candidates for implementing the new directives to collect fees and peak-demand pricing. Three southern coastal districts (Orange, San Diego, and Channel Coast) generate the most operating income and report a combined paid attendance exceeding 15 million visitors. During the peak season, many southern beach state parks reach full capacity on the weekends. Although the most popular parks in these districts collect millions of dollars in day-use fees, most of them also have 35-50 percent unpaid day-use visitors. On the north coast, two districts (Mendocino and Russian River) have annual visitation of 7 million people, and close to 100 percent unpaid day use. By implementing peak-demand pricing and collecting appropriate fees at all state park units in these coastal districts, the Department of Parks and Recreation (DPR) would undoubtedly increase its revenue.

While the opportunity is clear, DPR cannot act on it independently because the California Coastal Commission (CCC) has a mandate to protect and maximize public access to the coast for all Californians. Further, any development on the coast requires a coastal development permit from the CCC, including the installation of equipment such as automated pay machines and iron rangers.* In addition, a 1994 California Court of Appeals decision addressing the CCC's approval in 1992 of DPR's installation of iron rangers (self-pay devices into which users deposit fees in envelopes) at 16 state park beaches³⁵ found that the imposition of fees on the coast is a legitimate concern of the CCC because of its broad mandate to protect public access.[†]

This appendix describes what happened when DPR tried to collect fees and change the pricing structure on the coast. Differences between Northern and Southern California norms about access to the coast were an important factor in how these efforts turned out.

At often-crowded Orange and San Diego coast beaches, visitors are accustomed to paying parking fees ranging from \$10 to \$15. In November 2011, DPR installed automated pay machines (APMs) that accept debit and credit cards at several San Diego beaches. DPR also instituted hourly fees to increase turnover and revenue in congested parking areas, and raised holiday rates to \$20.³⁶ Similar efforts soon followed for Crystal Cove and San Onofre state beaches in Orange County.[‡] In April and May 2012, DPR applied to local entities for permits to install iron rangers on the Sonoma and Mendocino coasts at locations where no fees had been collected.

On the south coast, DPR did not initially apply for permits from the CCC. The CCC subsequently asserted that it had jurisdiction over installing new payment machines as well as the new hourly and holiday fee schedules announced in November 2011. DPR applied in September 2012 for coastal development permits for the changes at San Onofre State Beach. Disagreement over the terms and conditions of the permits led to high-level discussions that included the

* PRC Section 30600 et seq. Development includes the “placement or erection of any solid material or structure” (PRC Section 30106).

[†] The Court held that the California Coastal Act's public access and recreation policies “should be broadly construed to encompass all impediments to access, whether direct or indirect, physical or nonphysical.”

[‡] According to the Huntington Beach Independent, the hourly parking at Crystal Cove, San Clemente and San Onofre is now run by Passport Parking, a mobile phone-based payment system. DPR also initiated Passport Parking at Huntington Beach in January 2014.⁴⁴

directors of the CCC and DPR, as well as the Secretary of the Natural Resources Agency. Ultimately, the CCC and DPR reached an agreement* in May 2013 that DPR would coordinate with the CCC prior to installing new equipment or changing fee structures. The agreement also calls for DPR to provide information to the CCC on the effects of proposed fee changes on shoreline access, lower-cost access and recreation. Further, DPR agreed to monitor and assess the impacts of changed fee programs on coastal access and report annually to the CCC regarding daily attendance, fee implementation, and impacts on public access.† The CCC approved the permit for APMs and fee changes at San Onofre State Beach, with conditions, at its January 2014 meeting.

On the Mendocino coast, DPR applied for permission to install iron rangers and impose fees in eight locations in May 2012.³⁷ The City of Fort Bragg, which administers its own Local Coastal Plan, denied DPR's application for iron rangers at MacKerricher State Park. The Mendocino Historical Review Board, which was the first point of review for the installation of iron rangers at Mendocino Headlands, also denied DPR's application.‡ DPR has not appealed these decisions, and does not appear to be pursuing installation of iron rangers at the other proposed locations in Mendocino County.

On the Sonoma coast, DPR announced its intent in May 2012 to install iron rangers and collect fees at 14 locations at various access points along the Sonoma Coast State Beach and other state parks. The local community and county officials vehemently opposed the new fees as violating their tradition of free coastal access,[§] which they argued was protected by the Coastal Act. They also viewed the new fees as an inappropriate attempt to generate more revenue because DPR could not assure them that the fees would be used to pay for the operation of the Sonoma coast state parks. Although DPR maintained that it had administrative authority to implement the new fees,³⁸ it applied to Sonoma County for a coastal development permit. In June 2013, the County denied the permit mainly on the grounds that the new fees would restrict coastal access and was not consistent with their Local Coastal Plan. DPR appealed this decision to the CCC in 2013— as of May 2014 the two agencies continue to work together to resolve the issues.

In its efforts to increase fees and institute peak demand pricing on the coast, DPR ran into several problems. Public opposition to paying for access to the north coast, which has been traditionally free, derailed DPR's efforts in Sonoma and Mendocino. Press coverage described elected officials' opposition to the fees, even though the same officials acknowledged that DPR needs

* The mutual understanding reached after a series of meetings was described in a May 20, 2013 letter from CCC Executive Charles Lester to DPR Director Anthony Jackson, which is the next item in this Appendix.

† The CCC approved the permit for the fees and APMs at Crystal Cove State Park in June 2013, with conditions requiring monitoring and reporting data on use and demographics of users to the CCC. DPR has disagreed with the CCC's interpretation of some of the permit conditions.

‡ The Mendocino Historical Review Board denied the application on the grounds that the proposed signage was inconsistent with their policies concerning views and aesthetics. In Fort Bragg, the City denied the application without prejudice, noting that additional information was needed on the impacts of coastal visitors parking elsewhere to avoid paying the fees.⁴⁸

§ In the summer of 1990, DPR instituted a \$5 parking fee for coastal access in Sonoma. After weeks of protests, including picket lines and people stationing themselves at parks to discourage visitors from paying, DPR rescinded the fees. While the CCC approved DPR's installation of iron rangers, DPR ultimately abandoned the permit and never installed the fee-collection devices. The decision in a subsequent lawsuit brought by Surfrider Foundation against the Coastal Commission ultimately found that DPR's access fees did not violate the Coastal Act.³⁵

additional revenue and that Sonoma County charges for access to some of its county beaches.³⁷ DPR did not hold public meetings prior to announcing the coastal fee changes. (In mid-2012, a spokesman for DPR said that no public hearings were planned because meetings cost money.)³⁷

The CCC's jurisdiction and concerns about the potential for increased fees to impede public access were known prior to DPR's 2012 fee changes on the south coast. These concerns were expressed in a 1993 memorandum by then-executive director Peter Douglas,³⁹ as well as the Surfrider case in 1994. DPR believed that it had statutory and administrative authority to modify its fees as long as the changes remained within the limits defined in the memorandum. Consequently, DPR did not initially apply for coastal development permits for installing pay machines, hourly pricing, and peak-period pricing. However, the CCC staff had a different interpretation of the amount of leeway established in the 1993 memorandum and believed that the proposed fee changes exceeded the authorized increases. The conflict between two state agencies' direct mandates (to promote public access to the coast and to increase revenue) required agency-level negotiations to reach resolution, which delayed the CCC approval of permits by a year.

DPR district staff led these efforts to increase revenue at the coast. The fee-change proposals might have gone more smoothly had there been earlier high-level agency coordination between DPR and the CCC regarding the initiatives to increase revenue. In addition, DPR might have benefitted from a public information campaign to explain the new fees and fee changes, including existing revenue and visitor-use data. Information about the alternatives to the higher fees, such as the availability of low-cost passes, might have reduced resistance to the fee change proposals.

LETTER FROM COASTAL COMMISSION TO DPR MAY 2013

CALIFORNIA COASTAL COMMISSION

45 FREMONT STREET, SUITE 2000
SAN FRANCISCO, CA 94105-2219
VOICE (415) 904-5200
FAX (415) 904-5400
TDD (415) 597-5885



May 20, 2013

Dear Major General Jackson,

I write to express my appreciation for our recent communications, and to memorialize our discussions of our mutual understanding of the responsibilities of California State Parks (CSP) and the California Coastal Commission to protect and provide public access and recreation along California's coast. This shared mission is vital to the citizens of California and to its multi-billion dollar coastal economy. Our agencies must do their best, therefore, to work together to address the challenges that we face and to find shared solutions.

As you and I discussed in our initial meeting, and again on March 11, Commission staff (CCC) is committed to working with CSP through the relevant permitting processes to identify mutually-agreeable outcomes, including identifying those cases where the CCC would not need to exercise its jurisdiction or where permit streamlining can be achieved. To this end, I offer the following points which I believe capture the spirit and intent of our conversations that have taken place between our headquarters offices. We hope that you will agree with this summary, and that we can move forward with these shared understandings.

Jurisdiction

- The CCC and CSP recognize that CSP has a mandate and responsibility to provide and manage public access and recreation, as well as manage natural resources, in coastal state parks. The CCC recognizes the fundamental role that CSP plays in maintaining the coastal park system, including managing the hours of operation, regulating the modes of visitation, providing amenities, and assuring a safe environment for all visitors.
- The CSP and the CCC recognize that the Commission and local government also have an important role and statutory responsibility to protect and provide maximum public access and recreation in the coastal zone, including in State Parks, pursuant to the California Coastal Act and certified Local Coastal Programs (LCPs). This includes implementing a permit requirement for any development that is not exempt.

Regulatory Process

- CSP will endeavor to consult with the CCC and/or local government in advance of undertaking development that may trigger coastal development permitting requirements under the Coastal Act or a certified LCP. When permits are required, CSP will work with the CCC and local governments to identify and provide necessary information and meet any other relevant processing requirements. The CCC will endeavor to coordinate with CSP and local governments acting under their LCPs where appropriate.

- The CCC will endeavor to provide timely and clear feedback on CSP requests about proposed development in the coastal zone. The CCC will also endeavor to exercise administrative discretion to maximize opportunities for permit streamlining and avoiding unnecessary regulatory procedures.
- The CCC and CSP will endeavor to seek agreement wherever possible on proposed development projects through collaborative project review and design.

Shoreline Access

- CSP and CCC are committed to and bound by the state Constitutional article X, sections 4 and 7, in spirit and intent, and Coastal Act sections 30210-30214 requirements to provide maximum public access and recreation for all the people to and along the state's shoreline waters, consistent with public safety and the need to protect natural resource areas from overuse.¹
- CSP agrees to work with the CCC to identify and address any shoreline access issues that may exist in coastal state parks (e.g. related to existing curfews or beach closures), consistent with the previous bullet point.

Lower-cost Access and Recreation

- The CCC acknowledges that the CSP has many low-priced passes available to enhance public access to coastal state parks, including: *Annual Day Use Pass*, *Golden Bear Pass*, *Limited Golden Bear Pass*, *Disabled Discount Pass*, and *Distinguished Veteran's Pass*. These five passes provide discounted rates to routine park visitors, seniors, low-income visitors, disabled people, and service men and women, respectively. CSP and the CCC will work to identify and implement actions to protect and encourage lower-cost access and recreational opportunities for all visitors to the coastal state parks, consistent with Coastal Act section 30213 and applicable CSP authorities.

Parking Fees and other Revenue-generation Programs

- The CCC recognizes that CSP must have sufficient revenues to maintain public access and recreation opportunities at state coastal parks, and the CCC recognizes the recent specific legislative and administrative direction to CSP to create new revenue streams to fund facility management and operations throughout the State Park system.

¹ Section 4 states, in part, "[n]o individual, partnership, or corporation, claiming or possessing the frontage or tidal lands of a harbor, bay, inlet, estuary, or other navigable water in this State, shall be permitted to exclude the right of way to such water whenever it is required for any public purpose . . . and the Legislature shall enact such laws as will give the most liberal construction to this provision, so that access to the navigable waters of this State shall be always attainable for the people thereof. Section 7 states: [w]henver any agency of government, local, state, or federal, hereafter acquires any interest in real property in this State, the acceptance of the interest shall constitute an agreement by the agency to conform to the laws of California as to the acquisition, control, use, and distribution of water with respect to the land so acquired."

- CSP and the CCC will work collaboratively to assure that any new or increased parking or other program fees are implemented consistent with the Coastal Act and/or certified LCPs where applicable. CSP recognizes that LCPs establish requirements unique to specific locations and contexts. To address Coastal Act and LCP policies, and potential impacts to public access from new or increased fees, CSP agrees to consider incorporating the following approaches in any proposed fee programs:
 - Provide hourly rates at every facility where parking fees are charged. This will provide maximum flexibility for users, potentially create more turnover of visitors (especially at sunset), and may also increase revenue, as the recent experience in San Diego and Orange County suggests.
 - Consider supplemental means that increase visitation including extending park hours, parking lot hours and operations.
 - Reduce or eliminate fees during off-peak periods.
 - Provide some areas within parking lots for short-term free parking for brief stops.
 - Limit the number of higher fee holidays per year, and include hourly holiday rates.
 - Expand and promote the sale of annual regional passes, and discount rates for seniors, the disabled, veterans and low-income persons.
 - Regulate hours and use of developed facilities, but do not prohibit all access to public trust lands such as the shoreline.
 - In areas where fees have not been charged historically, consider a phased approach for new fees, including limiting parking fees to a portion of the day (e.g., 9-5, 10-6, etc.) or weekends only; consider free parking on certain days and a “first hour free”.
 - Consider whether in some cases the appropriate fee for a specific site may be no fee, for example where a state beach may be the only meaningful point of public access in a region, and/or those sites with minimal or no active management requirements or public facilities (such as facilities with no restrooms, campgrounds or visitor centers) and that can be “subsidized” by fee collection from the larger region.
 - Address any closures or restrictions on actual access to and along the beach/shoreline that may be in place.

- The CCC acknowledges and appreciates CSP’s agreement to monitor and periodically review the implementation of any proposed fee programs, including assessing the impacts, if any, on coastal access, and annually report to the Commission available and relevant monitoring data and evaluation, including but not limited to: daily attendance, fee implementation (e.g. mode of fee), impacts to public access, and other relevant data. The CCC commits to working with CSP to identify efficient and effective monitoring and analysis.

We hope that you concur that the above points provide a workable framework for continuing to move forward together to address our shared mission of providing public coastal access and recreation. As we have discussed, CSP and the Coastal Commission have a forty year history of working together to assure that our state coastal access programs are beyond compare and that

we are protecting our sensitive habitats, wetlands, and other important coastal resources. I look forward to continuing to work effectively and successfully in partnership with CSP. Please do not hesitate to contact me in the future concerning any of our mutual concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles F. Lester". The signature is written in black ink and is positioned above the typed name.

Charles Lester
Executive Director

EXCERPT FROM FINANCIAL PLANNING AND COST EFFICIENCY STUDY

Service Classifications Definitions and Criteria

CSP Headquarters staff and District Superintendents and staff in the study districts worked with the Consulting Team to develop service classifications definitions and criteria. Legislative mandates, policy documents, and other contractual and legal obligations of the agency were reviewed and considered. Additionally, data from the *2008 Survey on Public Opinions and Attitudes on Outdoor Recreation*, (a CSP publication) conducted in California were reviewed to ensure that the expectations of the public that are relevant to this study were considered.

The service classifications, definitions and criteria are presented here.

ESSENTIAL SERVICE (PROVIDES THE BROADEST PUBLIC BENEFIT)

Definition: Essential services are those programs, services and facilities that CSP must provide and are essential in order to capably manage and operate the State Park System. The failure to provide an essential service at an adequate level would result in a violation of the agency's legal and mandated responsibilities and would produce significant negative consequences for the natural, cultural and historic resources and public use of the State Park System.

Criteria (most or all must apply):

1. The Department is mandated by law, statutory requirement or is contractually obligated by agreement to provide the service.
2. The service is essential to protecting and supporting public health and safety.
3. The service directly preserves, protects and maintains valuable California State Park System infrastructure; the integrity of natural, cultural and historic resources; and public understanding and knowledge of those resources at an appropriate and acceptable level.
4. State of California residents, visitors and taxpayers expect the Department to provide the service through State tax support and public funding.

IMPORTANT SERVICE (PROVIDES BOTH PUBLIC AND PRIVATE BENEFIT)

Definition: Important services are those programs, services and facilities that CSP should provide and are important to both managing and operating the Department and effectively serving State residents and visitors. Providing important services expands or enhances the Department's ability to provide and sustain essential services. Important services preserve, protect and enhance natural, cultural, historic, and recreation resources and the visitor experience. Important services provide both a public benefit as well as an individual benefit to the visitor.

Criteria (most or all must apply):

1. The service expands, enhances or supports essential services in protecting and maintaining valuable California State Park system assets, as well as the safety and quality of the visitor experience.
2. The service is broadly supported and utilized by the public.
3. The service is considered an appropriate, important and valuable public good.
4. Public support for the service may vary depending upon the manner by which the service is paid for or funded (fully, partially, or not subsidized).

5. The service generates income or revenue that offsets some or all of its operating cost and/or is deemed to provide a valuable economic, social or environmental benefit to the State and its residents.

VALUE-ADDED SERVICE (PROVIDES PRIMARILY PRIVATE BENEFIT)

Definition: Value-added services are programs, services and resource amenities that the Department may provide when funding or revenue exists to offset the cost of providing those services. These services can be considered discretionary to the core mission of the Department, and provide added value to State residents and visitors above and beyond what is required or expected of the Department.

Criteria (most or all must apply):

1. The service expands, enhances or supports essential and important services and visitor enjoyment of the State Park System.
2. The service is supported and well utilized by State residents and park system visitors and provides an appropriate and valuable public good.
3. The service generates income or funding from sponsorships, grants, user fees or other sources that offsets some or all of its cost and/or the service provides a meaningful economic, social or environmental benefit to the State of California.

Service Identification

We conducted a work session in each participating district to identify and classify services and functions. We also established expectations for funding sources, performance standards, and cost recovery (through user fees). Following these sessions, the three district superintendents coordinated to create a consistent list of services and functions.

Many of these services and functions are large categories that comprise multiple activities of the state park system. Others are more specific and detailed to a single function.

Forty-seven different categories or types of services and functions were identified; these are listed and defined below and on the following pages. Most or all of the functionality and activities of CSP should be represented within this list of services.

1. **Natural resource maintenance and protection**
Maintenance and protection of natural resources within California State Parks and under the responsibility of the agency including, but not limited to lands and habitat, waterways, flora and fauna.
2. **Cultural resource maintenance and protection**
Maintenance and protection of cultural resources within California State Parks and under the responsibility of the agency including, but not limited to historically and culturally significant structures, landscapes, and artifacts.
3. **Natural and cultural resource restoration**
Restoration of natural and cultural resources within California State Parks and under the responsibility of the agency including, but not limited to habitat and waterway/waterfront/beach and shoreline restoration, and historic landmark and cultural artifact restoration.

- 4. Natural and cultural resource defensive planning**
Defensive planning and preventative measures to protect the integrity of natural and cultural resources of California State Parks.
- 5. Interpretation and education – passive**
Includes signage and printed educational materials – interpretation that is not actively facilitated.
- 6. Interpretation and education – group/community programs**
Interpretation and education programs that are facilitated and have a mix of broad public benefit and individual benefit to participants.
- 7. Interpretation and education – individual benefit only**
Interpretive and education programs that are facilitated and have predominantly an individual benefit to the participant.
- 8. Recreational asset maintenance and management – access to the resource (e.g., trails)**
Maintenance and management of basic recreational assets that provide access to parks and natural/cultural/historic resources.
- 9. Recreational asset maintenance and management – enhanced use of the resource (e.g., facilities)**
Maintenance and management of more developed recreational assets such as structures and major amenities.
- 10. Beach, swim and surf area access management**
Management of access infrastructure for beaches, swim areas and surf areas such as parking areas, entrances, sidewalks, etc.
- 11. Boating access and management**
Management of access infrastructure for public boating such as boat ramps.
- 12. Site and resource access management – gate/kiosk operations**
Management and operation of park/site entry and kiosks.
- 13. Public safety – aquatic safety**
Operational responsibilities for public safety related to aquatic activities and resource usage including, but not limited to life guarding and lake patrol.
- 14. Public safety – law enforcement and emergency services**
Operational responsibilities for public safety related to law enforcement and emergency response on state park lands.
- 15. Public safety – risk/hazard management**
Operational responsibilities for public safety related to risk and hazard management as prevention of public safety concerns.

- 16. Facility and infrastructure maintenance**
Responsibilities associated with maintenance of general facilities and infrastructure at the parks that are not directly attributed to specific service categories already identified.
- 17. Site and grounds maintenance**
Responsibilities associated with maintenance of general site and grounds at the parks that are not directly attributed to specific service categories already identified.
- 18. Fleet management**
Management of fleet vehicles and motor pool of California State Parks.
- 19. Communications**
Internal communications within the agency supporting daily operations and responsiveness.
- 20. Property management**
Management of real property under stewardship by California State Parks.
- 21. Interagency relations, partnerships and coordination**
Responsibilities and activities related to maintenance and management of interagency relations, partnerships, and agency coordination.
- 22. Control agency mandates and code compliance**
Responsibilities of California State Parks to remain compliant with public code and control agency requirements.
- 23. Site and facility acquisition and development**
Acquisition and development of sites and facilities within California State Parks.
- 24. Construction administration and management**
Administration and management of construction projects.
- 25. Developed camping area management and operations**
Management and operations of developed camping areas that feature water and/or electric connections.
- 26. Undeveloped/primitive camping area management and operations**
Management and operations of undeveloped camping areas that do not feature any utility connections
- 27. Hook-ups camping area management and operations**
Management and operations of full hook-up camping areas that feature water, electric, and septic/sewer connections.
- 28. Museum management and operations**
Management and operations of museums.

- 29. Visitor center management and operations**
Management and operations of visitor centers.
- 30. Nature center management and operations**
Management and operations of nature centers / environmental learning centers.
- 31. Marina management and operations**
Management and operations of marinas.
- 32. Improved accommodations management and operations – cabins, lodges, etc.**
Management and operation of improved accommodations including cabins, lodges, yurts, and cottages.
- 33. Meeting facilities / conference center management and operations**
Management and operation of meeting facilities and conference centers.
- 34. Food/meal services**
Management and operation of food and meal services in California State Parks.
- 35. Retail/merchandising**
Management and operations of retail merchandising at California State Parks.
- 36. Special events planning and management**
Planning, development and facilitation of special events at and/or by California State Parks.
- 37. Recreational equipment rental**
Management and operations of recreational equipment rental at California State Parks.
- 38. Community outreach**
Responsibilities associated with community outreach and enrichment regarding California State Parks, not including public information or marketing.
- 39. Public information and communication**
Responsibilities associated with dissemination of public information for purposes of public safety and park access.
- 40. Volunteer management**
Management of volunteers and volunteer programs.
- 41. Marketing and promotions**
Planning and implementation of marketing and promotions programs, including sales initiatives.
- 42. Training – compliance**
Responsibilities associated with the planning and facilitation of compliance-based training including such examples as workplace safety, incident reporting, and job related compliance training requirements.

43. Training – enrichment and personnel development

Responsibilities associated with the planning and facilitation of enrichment and personnel development training including such examples as budgetary and finance management, customer services, effective marketing, etc.

44. Administrative services – accounting, legal, HR, contract management, procurement, etc.)

Administrative functions of California State Parks including, but not limited to accounting, legal services, human resources, contract management, and purchasing.

45. Concessions management

Responsibilities associated with the management of concession operations at California State Parks.

46. Commercial film access management

Responsibilities associated with management of commercial film access to California State Parks

47. Research support

Responsibilities associated with management of support services and access provided for approved research projects occurring on California State Park sites, lands and facilities

Service Classifications

Tables here show the following information for study districts: the percentages of costs associated with each service that should be supported through public funding (Expected Level of Public Funding (General Fund) Support) and through earned revenues or other revenue sources (Cost Recovery Goal).

NOTE: Park units may have different expected levels of public funding support and cost recovery goals for the various service classifications.

Essential Services / Functions	Expected Level of Public Funding (General Fund) Support	Cost Recovery Goal
Natural resource maintenance and protection	100%	0%
Cultural resource maintenance and protection	100%	0%
Interpretation and education - passive	100%	0%
Recreational asset management and management – access to the	100%	0%
Boating access and management	100%	0%
Public safety – aquatic safety	100%	0%
Public safety – law enforcement and emergency services	100%	0%
Public safety –risk/hazard management	100%	0%
Facility and infrastructure maintenance	100%	0%
Site and grounds maintenance	100%	0%
Fleet management	100%	0%
Communications	100%	0%
Control agency mandates and code compliance	100%	0%
Construction administration and management	100%	0
Administrative services – acctg., legal, HR, procurement, etc.	100%	0%
Training – compliance	80-100%	0-20%
Commercial film access management	100%	0%



