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Donald R. Leal

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**MARKET SOLUTIONS
TO PUBLIC RECREATION FINANCE:
THE TEXAS STATE PARKS EXAMPLE**

Donald R. Leal
Senior Associate PERC

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Market Solutions to Public Recreation Finance: The Texas State Parks Example

by Donald R. Leal

I. Summary

America's national park system caters to over 270 million visitors a year and houses some of the country's most treasured natural amenities. But today the system is in trouble. Roads, buildings, and sewers are deteriorating, campgrounds are being closed, operating hours are being shortened, interpretive programs are being cut, and rangers are being laid off.

When everyone wants a strong and healthy national park system, why would our national parks be facing such a crisis?

One view reported often in the press is that our parks are not adequately funded. Despite a total Park Service budget of well over \$1 billion a year, Michael Satchell in U.S. News and World Report writes that our national parks are declining because Congress will not provide them with enough money. The system has fallen in debt, accumulating a \$5.6 billion deficit for construction and maintenance, \$2 billion for protection of resources, and \$1.5 billion for land acquisition.

Another less popular view to the current crisis is that the incentives to provide quality visitor service and to maintain park facilities in good condition are sorely absent. Since parks are funded mostly out of tax dollars, management can ignore the economic realities management in the private sector faces. Two summers ago, for example, a popular campground was closed in an effort to "save" money. In fact this campground earned more than it cost to operate, but since the revenues

went to Washington and the park's budget was financed mostly out of taxes, managers had little incentive to keep it open to keep visitors happy

In addition, there is little incentive to spend wisely to keep park facilities in good condition. Recent news reports of the Park Service spending nearly \$400,000 for a glorified outhouse at the same time parks such as Yellowstone sorely need a new sewer system to prevent pollution of park streams does not give one confidence that protection of our park's natural amenities comes first. Neither does the revelation that the Park Service spends almost half of its construction budget on designers, supervisors or changes in plans.

Still, the blame cannot all be placed at the feet of the Park Service. Within the halls of Congress, there lurks a powerful incentive for politicians to keep watering down the system with low-quality parks, because it means more local jobs, more tourist dollars, and ultimately more votes. As more of these parks enter the system, the appropriations needed to maintain crown jewels such as Yellowstone and Yosemite in good condition fall short of the mark.

A larger park system may mean a larger budget for the Park Service overall, but it does not mean parks such as Yellowstone and Yosemite will be adequately funded.

One way to reserve the decline in our park system is by turning popular parks into user-supported parks. It is not widely known today, but our national parks were originally intended to be user-supported parks. Congressional appropriations were to be limited to start-up-costs—the initial investments in roads and visitor facilities. The rest of the money would come directly from revenue generated by the parks—fees charged to visitors, for example. These fees and other revenues were to be deposited in a special account that the Park Service could draw upon.

Under this plan, park officials would earn the money they used to maintain the parks. They would earn it by serving park visitors well. There would be a direct link between service provided and revenue collected.

In 1916, Interior Secretary Franklin Lane appointed Stephen Mather, a successful businessman and millionaire, to run the existing parks as user-supported parks. In his first report to Secretary Lane, Mather stated that "It appears that at least five parks now have a proven earning capacity sufficiently large to make their operation on this basis both feasible and practicable" (GAO 1982,2). The five parks were Yellowstone, Yosemite, Mount Rainier, Sequoia and General Grant (now part of Kings Canyon/Sequoia).

Unfortunately, Congress broke the link between services and revenues in 1918. It took direct control of financing for the parks, requiring that all park fees be returned to the U.S. Treasury.

Congressional spending on the parks did not rise markedly in the years that followed, mostly through higher appropriations from the U.S. Treasury. But the park system has been faced with recurring financial crisis throughout the years. Consider the latest one. From 1980 to 1995, the total budget of the Park Service nearly doubled, from almost \$700 million to about \$1.3 billion. Spending on staffing and wage increases grew at a healthy 3.1 percent above inflation annually. At the same time, however, spending for major park repairs and renovations fell at an annual rate of 1.5 percent per year. Hence the large backlog on construction and maintenance.

A reversal of sorts began in 1996. Congress recently authorized a three-year fee demonstration program that will generate additional revenue for addressing the backlog in maintenance and construction. On average, the program doubles

entrance fees at up to a hundred parks out of a total of 376 and allows participating parks to keep the fees. There is still a long way to go, however, when it comes to creating user-supported parks. More than two-thirds of the financing for operations at Yellowstone, a participating park, still comes from taxpayers, and not user fees.

II. Why User-Supported Parks?

- A. At the very least we would sensitize park managers to visitor needs and provide them with the motivation and wherewithal to maintain existing parks.
 - 1. Park managers who depend on visitors for operating support want them to have a memorable experience that brings them back.
 - 2. To do this they know they must provide good service and keep facilities in good condition.
- B. Park officials would also be encouraged to charge more realistic prices—that is prices that actually cover the cost of services.
 - 1. Currently the prices paid for a service does not begin to cover the actual cost of the service.
 - 2. In 1997, Yellowstone spent \$7.06 per visitor but collected revenues that averaged only \$2.34 per visitor.
 - 3. A difference this large between the cost of service and the price paid for service is bound to encourage continued overuse in our popular parks.
- C. In addition, park officials would have an incentive to balance costs and benefits.
 - 1. If costs are covered out of revenues, managers would continue to offer services that covered costs and eliminate those that didn't.
 - 2. In contrast, when park operations are funded mostly out of taxes, management can ignore such economic realities.

- D. Finally, park managers would be given more freedom from special interests and politicians.
1. Because most funding is controlled by Congress, park officials are at the mercy of politicians and special interests.
 2. Political pressures make it difficult to charge more realistic fees to control the crowding plaguing parks such as Yosemite.
 3. Such pressures also make it difficult to balance visitor use with protection of amenities (A prime example is the controversy over controlling snowmobile use in Yellowstone).

III. How to Begin?

- A. Start Charging More Realistic Fees at Our Popular Parks.
1. At \$20 per vehicle, a family of four can visit Yellowstone Park (for a week) for a measly \$0.72 per person per day.
 2. In 1997, the fee for Yellowstone's annual vehicle pass was raised from \$15 to \$40.
 3. This hike looks hefty, but it does not bring the price anywhere near the \$133 fee (in 1995 dollars) that visitors paid in 1915.
- B. In the past park fees have been a subject of controversy, but public sentiment is changing and there is greater awareness that park users can afford to pay more.
1. A 1995 nationwide survey by Colorado State University revealed that 80 percent of the respondents did not oppose fees as long as fees remain in the park.
 2. An argument often raised against higher fees is that this would deny the poor an opportunity to visit national parks.
 3. By and large, it isn't the poor who use our parks today; it is the well-to-do and affluent.

IV. Some States Do It Better

- A. Feeling the pinch of fiscally tight legislatures, a number of states are showing us that user-supported parks can be both practical and innovative.
1. In 1991, New Hampshire State Parks was legislatively mandated to be operationally self supporting; i.e., financed out of user fees.
 2. In 1995, all of its nearly \$5 million operating budget was financed from fees, and there was enough left over for construction improvement.
 3. New Hampshire was the first state to charge entrance fees per person instead of per vehicle at its parks.
 4. As another initiative to make ends meet, New Hampshire has entered into company partnerships.
 5. One example is the recent agreement with PepsiCo, Inc. which has an exclusive five-year right to beverage sales in all state parks.
 6. In return, PepsiCo funds an education and awareness program for state parks.
- B. Another example is Texas State Parks which set a goal of becoming operationally self sufficient after the legislature announced it would end general funds support for operations in three years.
1. The Texas parks department launched a dramatically different financing system to running parks.
 2. Known as the entrepreneurial budgeting system or EBS, the system gives park managers incentives to save money and to raise revenue.
 3. If a manager finds cost savings in running a park, he or she receives the savings the following year as an enhancement and not an offset to the park's budget.

4. If a manager generates additional revenue by adding a new service, he or she keeps a portion of the gain and can spend it as seen fit for park improvements.
- C. The system has spawned attractive services that earn revenue.
1. For example, visitors at Brazos Bend State Park can enjoy a two-hour nocturnal "owl prowl" for \$3 per prowler.
 2. At South Llano River State Park, a refurbished 1951 Chevy bus (donated by the local fire department) takes visitors on a wildlife safari through the park for \$3 per passenger.
 3. Huntsville State Park holds an annual canoe rendezvous.
 4. Activities such as these raise revenue without detracting from natural amenities.
- D. EBS and other innovations have helped Texas parks make steady progress toward the goal of self sufficiency.
1. Park revenue hovered around \$12 million annually from 1989 to 1991, before the goal of self sufficiency was set.
 2. It rose steadily in the next four years, reaching nearly \$20 million in 1995 (or two-thirds of the operating budget).
 3. Texas officials believe that parks can make further strides if, among other things, they are given complete control over the pricing of park services and facilities and overuse of park funds.
- V. Big Bend Ranch State Park vs. Big Bend National Park
- A. The best way to illustrate the differences that stem from user-supported parks is to compare adjacent parks that differ in their reliance on user fees.
1. Big Bend Ranch State Park (300,000 acres) and Big Bend National Park (810,763 acres) are located right next to each other in southwest Texas.
 2. They share many of the same natural amenities, including huge sections of Chihuahuan Desert Wilderness.

3. Most of Big Bend Ranch's operating budget (about 67 percent) comes from user fees, while most of Big Bend's operating budget (over 90 percent) comes from tax revenue.
 4. Big Bend Ranch's dependence on users for support, instead of general tax revenue, has led to much higher returns (\$3.10 vs. \$1.07 per visitor) and much lower operating costs (\$1.54 vs. \$4.87 per acre) than Big Bend.
- B. Big Bend Ranch operates under the EBS financing program, thereby providing additional incentive for management to create innovative services for visitors.
1. Big Bend Ranch personnel have established new activities such as three-day rock and desert survival courses for \$300 and an interpretative bus tour into the interior of the park for \$60 to raise revenue.
 2. By far the most popular is the Longhorn Cattle Drive and Campfire which includes a three-day cattle drive and an evening around the campfire for \$350.
 3. It used to be only park rangers who moved the resident herd of Texas longhorns from summer to winter range and vice versa.
 4. But thanks to an innovative idea by park employee George Hughes III, rangers get help from visitors willing to pay a fee to play "city slickers" for a few days, and the park gets additional revenue.
- C. Since the elimination of general tax support in 1994, Big Bend Ranch staff have enhanced the park's budget by finding cheaper ways of doing things and by creating new visitor services.
1. The additional money has gone to buying a new pickup truck for patrolling park grounds, radios to facilitate communication between rangers in the field, repairs for a park road grader, and new dishes and a freezer for the visitor lodge.

2. In addition, further budget enhancements form new services or cost savings will help open up new camping areas.

VI. Back to the future to save our parks.

- A. Only by making those who run our parks financially accountable to park users can we spur effective management and stable funding for our parks.

1. That is, after all, what Stephen Mather and other early park supporters had in mind near the turn of the century when we were a much poorer nation than we are today.
2. Surely, with our higher incomes today, we as users can afford to pay for those amenities and help make our parks the treasurers they should be.

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