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# Washington State Parks and Recreation Commission



## Efforts to Increase Revenue

### Status Update on the Fiscal Health of the State Park System

Report to the Office of Financial Management and Legislature  
as Required by ESSB5034 (2013 2<sup>nd</sup> Special Legislative Session)

#### **The Washington State Parks and Recreation Commission**

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October 28, 2013

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# State Parks Vision, Mission, and Core Values

## ***Mission:***

The Washington State Parks and Recreation Commission cares for Washington's most treasured lands, waters and historic places. State parks connect all Washingtonians to their diverse natural and cultural heritage and provide memorable recreational and educational experiences that enhance their lives.

## ***Vision:***

Washington's state parks will be cherished destinations with natural, cultural, recreational, artistic and interpretive experiences that all Washingtonians enjoy, appreciate and proudly support.

## ***Core Values:***

The State Parks and Recreation Commission, its staff, partners, supporters and volunteers share core values that demonstrate a commitment to:

- Stewardship that preserves the State's natural, cultural, and ethnic heritage in perpetuity
- Universal access to recreation, education, artistic, and cultural opportunities in state parks
- Meaningful public engagement and participation in developing and operating the state park system
- Supporting one another as we work together to achieve the agency's mission
- Excellence in all we do

## Reporting requirement

The Washington State Parks and Recreation Commission is submitting this report to the Office of Financial Management and Legislature in compliance with the following 2013-15 operating budget (ESSB5034) proviso:

*“The commission shall prepare a report on its efforts to increase revenue from all sources, including the discover pass. The report shall also include a status update on the fiscal health of the state parks system and shall be submitted to the office of financial management and the appropriate committees of the legislature by October 28, 2013.”*

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## Introduction

For decades, Washington State Parks was financed primarily from the state General Fund. However, beginning in the 2009-11 Biennium, a State policy change occurred; the agency’s financing was shifted away from the relative certainty of mostly General Fund support, to a budget in which the majority of operating funds had to be earned.

To illustrate, in the 2007-09 Biennium, the State Parks budget included \$94.5 million in state General Fund support. In the 2013-15 Biennium, General Fund support for general operations is \$8.3 million. To help the agency achieve greater self-support, the 2011 Legislature authorized the creation of the Discover Pass to generate more revenue. When expected revenue did not materialize as anticipated, the agency found itself needing to take immediate cost-cutting actions.

In 2012, following significant staffing and program reductions, the Commission analyzed the situation and adopted its current position, that Washington State Parks should be financed through a “right mix” of funding that continues to include public funds, earned revenue from use fees and donations.

Ultimately, the Legislature agreed that general taxes would be used, at least temporarily, to fund Parks. This is reflected in the State Parks budget for 2013-15. The budget requires that the agency spend reserve funds to continue operations at current, reduced levels. In the short term, this means parks remain open, but other funding solutions will be needed to sustain the park system beyond the current biennium.

To put it succinctly, State Parks is in an unsustainable financial situation. This is the conclusion unanimously reached by the Commission and articulated in its August 2012 “State of the State Parks” report. Temporary infusions of money are not a long-term solution. The approach of spending down reserves in the current budget cycle will create a greater financial shortfall next biennium. The increased reliance on earned revenues, coupled with the need to spend down reserves, perpetuates an environment of instability and uncertainty for State Parks. While the agency has been able to effect a modest increase in revenues, these simply are not sufficient to cover the costs of running the park system.

Meanwhile, staffing and program reductions made in recent years continue to present challenges, as operating capacity remains thin at every level. But it is difficult to describe just how thin capacity is or to define the agency’s current fiscal health. These are questions with no quick, easy answers and getting the answers is taking significant time and effort, given the size and complexities of the park system. The State Parks Transformation Strategy, adopted by the Commission in March 2013, includes specific initiatives designed to help the agency define current fiscal health in more concrete terms and begin gathering and analyzing information needed to define what a “healthy” park system looks like.

## Efforts to increase revenue

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The agency's three largest revenue sources are fees for camping and other overnight lodgings, Discover Pass sales and donations. In the 2011-13 Biennium, these three sources comprised 85 percent of the revenue in the Parks Renewal and Stewardship Account (the agency's principal operating account). More information about each of these revenue sources follows.

**Camping and overnight roofed accommodations:** Fees collected from visitor stays in campsites, cabins and yurts, vacation houses and other overnight lodgings brought in \$31.4 million – or approximately 39.1 percent – of total agency operating revenue in 2011-13. State Parks anticipates that this will continue to be the largest source of earned revenue in the 2013-15 Biennium. A 3.9 percent increase in revenues from camping and overnight lodgings is forecast in 2013-15. The first three months of Fiscal Year (FY) 2014 show a 1.3 percent increase over the same period in FY13.

The agency has performed significant research and analysis on pricing options in order to maximize revenues. The Commission recently took action to adopt a new, variable-rate structure based on demand-sensitive pricing for its camping and other overnight accommodations. This new rate structure expands the use of seasonal rates and uses variable pricing for each campsite, based on historic occupancy rates. This approach, identified as a revenue opportunity in the agency Transformation Strategy, is consistent with current market models being used in the private hospitality industry and some public systems. The new rate structure, which becomes effective on April 1, 2014, is factored into the agency's 2013-15 revenue projection. Parks will closely track public response to these pricing changes and will make refinements intended to balance revenue and visitor needs and retain customers.

The Commission believes that State Parks' overnight facilities have potential for greater revenue earnings, with appropriate and strategic investments. Examples include:

- Installing new cabins and yurts to increase capacity where analysis shows revenue potential
- Renovating and upgrading all types of overnight facilities that generate revenue
- Engaging in promotions and special offers to fill spaces and put "heads in beds."

**Discover Pass sales:** Revenues from the Discover Pass (launched July 1, 2011) comprised 31.2 percent of State Parks' total revenue in 2011-13. Sales revenue for State Parks increased 6 percent between FY12 and FY13, growing from \$13.2 million to \$14 million. For July through September 2013, revenue came in 4.9 percent higher than for the same period the previous year. These trends are a positive sign. The current projection for FY14 and FY15 is based on 1 percent revenue growth per year, using FY13 as the base year. State Parks receives 84 percent of the Discover Pass revenue, and partner agencies Department of Fish and Wildlife and Department of Natural Resources each receive 8 percent.

Efforts to increase Discover Pass revenues are a major focus of activity for State Parks. These efforts involve staff throughout the agency, from those in the field who sell and enforce the pass on a daily basis, to staff at headquarters who administer the program and coordinate efforts with partner agencies. With the help of an external consultant, the partner agencies worked together to develop a business plan. The agencies also have collaborated on communication and outreach efforts, point-of-sale improvements and marketing promotions, including:

- Joint marketing campaigns with the private sector (e.g. Carter Subaru, North Face and Subway)
- Support of recently passed legislation that allows for "bundling" (with other government use/access fees) and wholesaling of Discover Pass to private sector vendors
- Installation of 30 automated pay stations for people to use in purchasing the annual Discover Pass or daily use permit in selected state parks (started as a pilot project)
- Print, online and broadcast advertising, as resources allow

- State Parks’ marketing initiative and launch of the Adventure Awaits blog and social media channels promoting State Parks and Discover Pass
- Non-profit partner support at outreach events and through friend and recreation organization newsletters
- Centennial 2013 events created by staff to inspire visits and boost Discover Pass sales

The agency will continue to work with its partner agencies and others to increase Discover Pass sales. An update on these efforts will be provided in a legislative report due in December 2013. Here is a preview sampling of these efforts:

- Additional joint marketing campaigns with private businesses
- Hiring of a Business Development Manager to oversee Discover Pass product development
- Expanded use of automated pay stations, based on the positive results of the pilot program
- Significant increases in online digital outreach, primarily through creation of a new agency website currently in development
- Continued agency and partner public information outreach
- Modification of the pass to make it sturdier, more attractive and visually distinct from other recreational passes
- Product bundling for increased sales
- Increase points of sale and purchase methods
- Improved customer satisfaction measures

**State Parks Donations:** Donation revenue is collected by the Department of Licensing (DOL) on behalf of State Parks, through a \$5 “opt-out” program. These donations comprised 17.8 percent of total revenues in the 2011-13 Biennium. Public donations through this “opt-out” donation mechanism have been declining since creation of the Discover Pass; in FY13, donations were 5.5 percent lower than in FY12. This decrease in donations was expected, since both opportunities – to purchase a pass and to donate – are presented at the same time during the vehicle on-line license renewal process. A 12.9% percent decrease in revenues from “opt out” donations is forecast in 2013-15. However, the first three months of FY14 show a 2.3 percent increase over the same period in FY13.

Efforts to promote the program have included an information card that is included as an insert in DOL license renewal mailings, and made available at parks, events and at DOL subagent counters.

**Other State Parks revenue sources:** These are derived from a variety of fees payments and certain donations. These sources together generated 11.9% of the revenue in the Parks Renewal and Stewardship Account in the 2011-13 Biennium. They include moorage fees, reservation fees, concessionaire payments, timber sales, leases, easements, and donations made directly by visitors to specific parks. Efforts to generate additional revenues in this area include:

- Raising property lease rates so they are at or near market levels, as contracts are renewed
- Increasing revenue from easements and other property rights and authorizations
- Creating new revenue-generating or revenue-sharing provisions in concession agreements
- Exploring new concepts such as establishing wetland mitigation banks in parks
- Pursuing capital projects for facilities with revenue-generating or revenue-retaining potential
- Developing a new website with capacity for future direct marketing
- Developing on-line phone applications (apps) and products to entice and welcome visitors
- Establishing friends groups and forging partnerships that offset costs or stimulate park use
- Working with the State Parks Foundation to support special events, build a donor base and develop business sponsorship opportunities

## **Current revenue trend**

For now, revenues have stabilized; this supports the 2013-15 Biennium forecast that reflects a modest increase over 2011-13 collections. Revenue for July through September 2013 came in at 3.4 percent over projections. Specifically, Discover Pass sales came in 6.3 percent above projection; “opt out” donations were 4.2 percent over projection; camping and other overnight lodging fees were 2.7 percent above projection; and “other revenues” came in at 3.0 percent over projection. This translates into \$623,000 more in revenue collections than estimated.

While State Parks is cautiously optimistic that the upward trend will continue, revenue fluctuations can occur as the result of many unforeseen and uncontrollable situations, including adverse weather conditions, burn bans, tree risk issues and economic downturns. The tenuous state of the agency’s current financial situation underscores the State Parks Commission’s assertion that another predictable revenue source is essential, as part of a “right mix” of funding to help stabilize operations.

## **Status update on fiscal health of the State Park system**

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State Parks continues to cope with the substantial impacts on operations created by the shifting financial model. The focus has been on stabilizing operations, determining immediate needs, and generating revenue. However, work has begun to gather data needed to understand and describe the agency’s fiscal health in greater detail. The Transformation Strategy summarized later in this report includes initiatives to help the agency develop a clearer picture of what a “healthy” park system looks like in the future.

## **Overview of budget situation**

The agency’s grim financial situation was set in motion by the State policy decision to change the financing source for operations to primarily earned revenues, resulting in fast and dramatic reductions in General Fund support for State Parks. Deep staffing and program cuts made in 2012 were the direct result of a second dynamic: Discover Pass revenues came in at about half of original projections. This directly contributed to overall earned revenue being significantly below the funding needed to offset the General Fund reductions. State Parks had to move quickly to cut costs and live within available revenue.

Decisions were made to eliminate executive and management positions, close a region office, change field staffing to a more seasonal model, eliminate support positions and reduce spending wherever possible. Investments in preventative maintenance and replacement of aging equipment were significantly reduced or put on hold altogether. Staff reductions have resulted in lowered service levels, less direct customer contact, limited ability to replace aging equipment, and limited facility maintenance and stewardship of natural and cultural assets. Details of these actions can be reviewed in the August 2012 “State of State Parks” report to OFM referenced at the end of this report.

It should be noted that, in recognition of revenue shortfalls, the Legislature provided temporary funding in the 2009-11, 2011-13 and 2013-15 biennia, to help supplement State Parks’ budget.

It is anticipated that State Parks’ 2013-15 general operating budget of \$113.1 million will allow the agency to keep parks open and prevent further layoffs during the current biennium. In addition to the projected \$87.8 million earned revenues, the agency was provided \$8.3 in state General Fund dollars and \$11.7 million in funding from litter taxes to conduct agency operations. The budget also relies on the agency spending cash reserves down to \$5.5 million. This approach masks the agency’s longer term budget needs. It is hoped that the lower reserve approach is confined to the current biennium; the

Commission believes this level of reserve is too low to be prudent, since it represents less than two months of operating costs. Commission policy is to maintain an \$8.5 million reserve.

In describing the agency's current financing, it is important to note specific statutory limitations that affect revenues. State Parks is required to provide free and reduced camping opportunities to qualifying disabled veterans, limited-income senior citizens, disabled persons and foster families. Some of these groups also are exempt from the Discover Pass requirement for day use. Statute also sets out that Parks will offer 12 "free" days for the public each year. While these programs provide their intended social benefits, they detract from the revenue earnings associated with camping and Discover Pass programs.

## **State Parks continues efforts to adapt and evolve**

During this time of change, the State Parks Commission, director, and staff have remained committed to keeping all parks open and safe for public use, recognizing that State Parks does not have the resources necessary to deliver services that meet Commission standards or public expectations.

While continuing to adapt and provide services within the current fiscal constraints, State Parks is taking a number of steps to position itself for a successful future. Some examples follow:

**Transformation Strategy:** The Transformation Strategy is intended to guide the agency forward during its transition to greater self-sufficiency. This will be accomplished in part by exploring new operating approaches that support and sustain the agency's mission. The Strategy focuses on realigning staff efforts to enhance existing funding sources, capture previously untapped revenues, make greater use of technology, increase and leverage partnerships, achieve more operating efficiencies and offset costs where possible. More about the Transformation Strategy is presented later in the report.

**Leveraging partnerships:** In alignment with Transformation is a new co-management approach approved by the Commission at Fort Worden State Park, an iconic historic site with significant capital needs. Under the agreement, State Parks will continue to manage and provide stewardship for the more traditional park features such as campgrounds, trails and natural areas, while a quasi-governmental public development authority will manage the "campus" portion of the park. The partner group will work to attract private investment to support long-term maintenance and capital improvements. With about \$1.2 million in net costs per year, Fort Worden is the most costly of any park in the system to operate. One goal of this partnership is to achieve zero net operating cost to the agency at Fort Worden in 2021.

**Agency reorganization:** A director-initiated reorganization is under way to realign programs and workforce skills, talents and abilities to meet the broad goals of the Transformation Strategy.

The Commission has fully supported the director in creating a new organizational structure. Recognizing that new skills and changes in culture are needed, personnel changes were made, with strategic new hires and staff reassignments in key focus areas. These areas include finance and budget, the capital program, park operations, data gathering and analysis, planning and partnerships, creative services and the business development program. The changes are intended to help the organization be successful as it moves into its second century.

State Parks recognizes that extensive work is still needed to move the agency forward and meet the challenges ahead. The agency is making progress in strengthening performance management and in generating more relevant data for fact-based decision-making. This will result in more effective management and will help the agency in its work to define a healthy park system. Specific focus is being placed on generating attendance and park-use data, acquiring a better understanding of customer needs and desires and completing a comprehensive facilities condition assessment.

In addition, the following efforts will help position the agency for the future:

- Retain and hire personnel with the skills needed for the new work
- Redefine employee roles and responsibilities in alignment with Transformation Strategy
- Invest in training to ensure employees have the skills needed to perform their work
- Redefine agency culture to align with the agency mission, vision and Transformation Strategy
- Proceed with the long-term lease at Fort Worden and explore other partnership opportunities
- Continue work to refine an efficient operating model and determine optimum staffing and resources to make it work
- Participate in Results Washington outcomes and incorporate LEAN methods into agency culture
- Deliver the Discover Pass report due in December 2013
- Request legislation to facilitate the ease and effectiveness of entering into partnerships
- Submit a 2014 supplemental budget request, including a modest general fund request and increase in spending authority in Parks Renewal and Stewardship Account to meet immediate needs
- Develop future capital budget requests for investments that support the agency mission and vision at acceptable costs
- Create a Strategic Plan to form the basis for a 2015-17 budget and legislative program
- Build support for a reliable financing model to sustain the park system

## **Moving Forward**

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### **Implementing the Transformation Strategy**

The actions and work described in this report are tied directly to the Transformation Strategy. This Strategy sets forth a direction to align the work of staff as the agency moves forward within the context of its current cultural, fiscal and political environment. The Strategy also is an expression of the Commission's commitment to do everything possible to provide excellent service while maximizing revenue potential and working toward greater financial stability.

The Commission adopted the Transformation Strategy in March 2013. Progress is being made on more than 40 initiatives that fall into the following seven categories that contribute to strategic transformation:

1. Demonstrate that all Washingtonians benefit from their state parks
2. Adopt a business approach to park system administration
3. Provide recreation, cultural, and interpretive opportunities people will want
4. Promote meaningful opportunities for volunteers, friends and donors
5. Form strategic partnerships with other agencies, tribes and non-profits
6. Expand use of land holdings for compatible revenue generating purposes
7. Develop amenities and acquire lands that advance transformation

### **Defining a 'healthy' park system**

The Commission and staff continue to adapt to a challenging situation. State Parks has taken proactive steps to make changes and decisions in response to the new financial model. Work continues to determine appropriate service levels, decide how best to deliver those services and understand how those decisions affect operations.

During the next several months, this work will contribute to the creation of the agency's Strategic Plan. The Plan will set agency priorities and goals and will begin to define and describe the vision of a "healthy" park system. The Plan will be presented to the Commission in the spring of 2014 and will provide the basis for the 2015-17 budget request.

## Summary

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State Parks continues to be engaged in a major transition. The move away from historic reliance on general tax support, to a financing base largely dependent on fees for service, donations and other revenue sources has resulted in significant downsizing of the agency, greater uncertainty and subsequent decreases in service level. This situation has caused the agency to focus on stabilizing operations, resolving immediate needs and generating revenue.

State Parks has shown willingness to adapt. Agency staff has found solutions to resolve many challenges. They have made tough choices and implemented difficult changes. These changes have affected every aspect of the organization, from natural resource protection, to facility condition, to customer service levels and staff employment.

The agency is making progress through its Transformation Strategy to explore new business approaches and to gather and analyze meaningful data for fact-based decision making. The agency will also continue to refine operations and work to describe current fiscal health, while beginning the work needed to define what a “healthy” park system will look like for the future. The Strategic Plan due in spring of 2014 will begin to better describe that future vision and will serve as the basis for a 2015-17 budget request.

The Commission has taken a firm position that the park system benefits all Washingtonians and therefore is appropriately funded in part by a broad-based funding source. The Commission also recognizes that it is not likely that State Parks will return to principle reliance on the state General Fund for future operating needs.

The Commission is committed to work with stakeholders and policymakers to achieve a “right mix” of funding that includes a reliable new public revenue source, earned revenues from use fees and donations. The goal is to create stability for a sustainable, “healthy” park system that people will enjoy and be proud to use and support for generations to come.

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The Washington State Parks and Recreation Commission appreciates the opportunity to tell about the many efforts under way to transition to a new financing model. This is a work in progress. Agency staff is available to answer any questions.

Information on the Transformation Strategy and the August 2012 “State of State Parks” report is available online for review and download. Visit [www.parks.wa.gov/beyond2013/](http://www.parks.wa.gov/beyond2013/).