

INFORMATIONAL HEARING
SENATE NATURAL RESOURCES AND WATER COMMITTEE

Perspectives and an Update on the Department of Parks and Recreation

Background

Introduction

The following comments are intended to forecast many of the remarks made by the department, the commission, and Parks Forward speakers at this hearing. The Foundation, a private non-profit, was asked to provide its independent perspective on the current situation at the department.

It is plain to all that the Department of Parks and Recreation faced unprecedented turmoil in 2010-12. It experienced a \$22 million reduction from its 2010-11 general fund allocation. The department launched an extraordinarily unpopular plan to close 70 state parks. Employees launched an illegal vacation buy-back. Funds that should have been disclosed years ago were finally disclosed. Four audits and investigations occurred. A number of personnel and management changes were made by the administration. Significant policy discussions about the department were taken up by the Legislature.

Taken together, the department had a rough 3 years.

From the perspective of the department, the fiscal questions recommended in the various audits were satisfactorily resolved. The department believes it has concurred with the various audit recommendations and taken appropriate remedial actions.

However, despite significant legislation in this period, many policy questions remain open regarding the future of the department, many of which will be discussed at this hearing by the witnesses.

First and foremost, the plan to close 70 state parks was rejected by the Legislature which instead initiated a series of changes to the statutes that govern the department. Among the important changes:

AB 1478 (Blumenfield) Budget Bill:

- Imposed a moratorium on park closures for two years.
- Appropriated \$20M of the “found” dollars to the department to provide matching funds to donors and nonprofit operating agreements to keep parks open. These funds were distributed across 52 parks and helped keep those parks open.

- Added legislative ex officio members to California State Parks and Recreation Commission; added duties to CSPRC.
- Created new revenue generation program with two working accounts: an Enterprise Fund for working capital projects that would increase the department's revenue and a revenue generation incentives subaccount. Both of these accounts, as well as the moratorium, will sunset this year.

AB 1589 (Huffman):

- Required new master plan for state parks
- Suggested that an expert commission be formed to make independent recommendations to the Governor and the Legislature on long term sustainability of state parks, which is now known as the Parks Forward Commission whose report is due later this year
- Authorized tax deductible contributions over and above the price of annual parks pass
- Required a prioritized action plan by DPR on revenue generation

SB 1018 (Leno):

- Created new revenue generation procedures that allow for sharing between DPR and districts of new revenues; also authorizes new state parks license plate.

Important Note: Three of these statutory changes had sunset clauses to terminate at the end of this year. The Legislature will need to consider whether or not to extend these sunsets. Two of them (moratorium on closures and the enterprise fund for sharing revenues between the department and the districts) are proposed for extension in a bill by Asm. Anthony Rendon. The other may be considered either in the context of the budget or in amendments to a policy bill along with any appropriate amendments.

Other Legislative Action.

In addition to the statutes developed as a reaction to the funding and closure crisis, the two policy committees, Senate Natural Resources and Water and Assembly Water, Parks and Wildlife, have asked the California Research Bureau (CRB) for assistance in looking at several questions described in the memo from the CRB that is in the hearing packet.

The first report on budget is in the packets for this meeting and is on the CRB website.

Report Highlights:

- Although the General Fund portion of DPR's state operations Support budget has been volatile, the total amount of General Fund increased 16 percent in real dollars over the last 20 years. Park-generated revenue has grown less than General Fund.
- The state operations Support budget increased over the past 20 years, although the composition of the Support budget changed: General Fund decreased from 38 to 31 percent; park generated

revenue declined from 45 to 35 percent, and special funds increased from 17 to 34 percent. Growth in Special Funds accounts for most of the increase in the Support budget.

- Of the fifty states, California spends the most on and earns the most revenue from its park system. However, it falls to the mid-range on spending in support of the park system on a per-acre basis. It falls further behind other states in the amount of park-generated revenue on a per-capita and per-acre basis. States that do well in generating revenue in their parks tend to be smaller and to have smaller park systems, mission statements that encourage economic development, or dedicated funding sources.
- California Department of Finance (DOF) budget data and cross-state comparisons suggest that the most promising source of additional funding for California State Parks might be park-generated revenue.

The second CRB report on approaches to revenue generation should be available within a few days.

Department of Parks and Recreation

The Governor's budget proposes an increase to the department of \$14 million for operations and \$40 million for deferred maintenance. While DPR openly acknowledges that it still faces many challenges, the last several months have seen considerable action on the following:

- Adopted first revenue generation targets in January, 2013 and shared incentive payments with successful districts by making payments into the Enterprise Fund.
- Utilized seasonal employees to help immediately generate revenue.
- Pilot projects to deploy new technologies to enhance fee collection and social media outreach. A system-wide RFP is being considered that would include centralized transaction processing, real-time data on visitors, secure credit card transactions, and other capabilities.
- Created 150th Anniversary events and \$150 annual pass for this celebration year.
- Created other annual passes on a regional basis and for surf beaches, Bay Area parks, and historic parks.
- Created first per-park cost estimates to meet budget control language.
- Improving how it tracks expenditures and the cost of providing services at each park, not on a district basis.
- Created a new Marketing and Business Development unit.
- Open acknowledgement that DPR does not collect appropriate visitor data, use it effectively, or make decisions based on improving the fiscal health of the department.

- Still working on cell phone tower revenue potential
- Deferred Maintenance—Created a prioritized list of projects totaling \$250 million compared to the larger backlog of more than \$1 billion. DPR is working on refining the cost estimates of all projects. This is an area that will require significant work by the department. The FTI consultant report found that even the \$250 million prioritized list lacked verification and documentation needed for cost estimates.
- Cabin and camping improvements at 8 state parks, including in San Luis Obispo, Marin, Humboldt, Santa Cruz, and Los Angeles Counties.
- Fees. Launched new fee collection program as part of the revenue generation program. Established variable fee schedules with some hourly pricing pilot projects.

Note: The department's fee collection efforts, a key part of the revenue generation program, are of keen interest to numerous entities including Parks Forward, the CRB, and the CSPRC, not to mention many legislators. The overall challenge is how to manage this effort successfully--most agree this is the best opportunity for DPR to help itself financially in the face of uncertain General Fund support--while at the same time reducing or even eliminating fees at parks that do not offer enhanced visitor services such as camping, restrooms, lodging, or other amenities. An example of this occurs at basically unimproved state parks on the coast where the Coastal Commission is seeking support for its role of safeguarding public access to the coast which, in its view, argues against high fees. This is somewhat of an open issue that the two agencies are trying to resolve. It is likely that the fee collection effort will be the subject of further review by the above-mentioned groups among others.

California Parks and Recreation Commission

Under the leadership of its chairman, Ernest Chung, (whose appointment was unanimously confirmed last week by the Senate), the CSPRC has taken several steps to re-establish its statutory role which had languished somewhat over the years. The CSPRC is re-instating its annual reports to the Legislature which had not been done since 2009. It is expanding its regular meetings to broaden its understanding of the department and the issues that confront it.

It is working closely with the department on the revenue generation program, the department's budget, and several programmatic issues on which the department needs public input and support including vetting criteria for prioritizing deferred maintenance projects, and improving park access and relevancy to underserved communities, among others.

It is particularly worth noting that the CPRC sees itself as the statutory public forum for individuals to participate in questions affecting the department, and it is worth considering ways further to strengthen that role, perhaps in the area of establishing policies for fees.

The CSPRC has scheduled public workshops at its meetings with the department on the budget, the deferred maintenance backlog, the revenue generation program and other topics. It is also closely tracking the work of the Parks Forward Commission which regularly has updated the commission, again at the public meetings of the CSPRC.

The CSPRC is tackling the issue of how to understand and assist with the impossible backlog of general plan development for each state park. It may be that general plans could be consolidated based on similar characteristics among state parks in a given region. It may be that the general plans become more of a vision document that does not propose any specific projects and that the environmental analysis and other CEQA issues could occur when management plans are proposed. The department has informed CSPRC that it seeks approval of 3-4 general plans each year with a backlog of several dozen. Additionally, the department has been using Prop 84 funds for the staff and development of general plans which, by default, has been the only source of funding for this work.

Last fall, the CSPRC adopted as a priority the issue of increasing the relevancy and accessibility of state parks to underserved urban communities. It has already held one public workshop on this topic.

Parks Forward Commission. This blue ribbon commission was recommended in AB 1589 (Huffman), a bill part of the reform package in 2012. In June, 2013, Resources Secretary John Laird and Director Jackson announced the members of the Parks Forward Commission. Ken Wiseman is the executive director. That press release is in the packet for this hearing. It is co-chaired by former Senator Chris Kehoe and Lance Conn, a successful Silicon Valley business leader and conservationist.

The commission is charged with providing independent analysis and reform recommendations to the administration and the legislature.

It has been very active and began its work with a statewide listening tour with meetings in Santa Cruz, Fresno, San Luis Obispo, Auburn, San Diego, Sacramento, Eureka, San Rafael, Ontario, and Orange County.

It has also had a public meeting in December in Sacramento on long- and short-term sustainability of the department. It conducted several workshops on finance, partnerships, and public health and park access.

In December 2013 Parks Forward released a report produced by FTI Consulting referred to as a "baseline financial assessment" of the department. Key findings of the report included that: significant undeveloped opportunities to grow revenues exist system wide; improvements in data reliability are needed; opportunities exist to expand partnerships; and, there is a significant funding gap between what is budgeted and what is needed to effectively manage the state park system. The report also identified five priority areas for focus: refining analysis of park unit costs and developing electronic systems for tracking information; improving deferred maintenance and infrastructure databases; developing an inventory of park attributes for revenue enhancement strategies; proactively seeking partnerships; and, updating systems for improved data reliability, accounting and financial reporting.

A preliminary report from Parks Forward with comprehensive recommendations is expected in April.