



Legislative Fiscal Bureau

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Joint Committee on Finance

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State Parks Funding Adjustments (DNR -- Forestry and Parks)

[LFB 2001-03 Budget Summary: Page 483, #17& #18]

CURRENT LAW

Currently, DNR park staff operate 83 recreational properties open to the public, including 44 state parks, 14 state trails, seven southern forests, and five recreational areas. An estimated 14 million visitors enter the parks and southern forests annually. The recreational properties managed by park staff contain 4,543 campsites, 1,177 acres of picnic areas, and 32 beaches. The state recreation system also includes an extensive network of trails, including: (a) 1,613 miles of hiking trails; (b) 1,579 miles of snowmobile trails; (c) 1,581 miles of bicycle trails (including 1,002 miles of off road mountain bike trails); (d) 593 miles of groomed cross-country ski trails; (e) 543 miles of bridle trails; and (f) 216 miles of nature trails. In addition, the state owns a number of state parks and trails that are operated and maintained by local governments.

Parks account revenues are generated primarily by motor vehicle admissions fees to state parks and camping fees. No admission fee is required for any vehicle that transports a person with a senior citizen recreation card or a conservation patron license. Other revenues include fees for camping reservations, certain trail use fees, golfing at Peninsula State Park and swimming at Blue Mounds State Park. In addition, a portion of the revenue from the sale of conservation patron licenses is deposited in the parks account to reflect the park-related privileges granted to patron license holders.

1995 Act 27 eliminated the requirement that state parks be funded equally from the parks account and the general fund. In 2000-01, state parks operations were budgeted 63% segregated revenues (SEG) from the parks account and 37% GPR.

GOVERNOR

Increase certain park vehicle admissions fees as follows:

TABLE 1

State Park Vehicle Admissions Fees

	<u>Current Law</u>	<u>Bill</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percent</u>
Resident annual	\$18	\$20	\$2	11%
Senior Citizen annual	9	9	0	0
Additional annual*	9	10	1	11
Resident daily	5	5	0	0
Nonresident annual	25	30	5	20
Additional non-resident annual*	12.50	15	2.50	20
Nonresident daily	7	10	3	43

*Issued to an individual for a second vehicle if a full-price annual sticker has already been purchased.

Increased revenues to the parks account are estimated by the administration at \$875,200 (\$311,700 in 2001-02 and \$563,500 in 2002-03) under the bill. This provision would take effect January 1, 2002, or on the day after publication, whichever is later.

In addition, delete \$1,300,000 in 2001-02 and \$1,050,000 in 2002-03 of parks account SEG in order to balance available revenues with authorized expenditures. The following adjustments are included: (a) delete \$700,000 in 2001-02 and \$550,000 in 2002-03 of parks SEG and provide the same amount of GPR for parks general operations; (b) in order to generate the GPR for parks operations, administration, technology, customer assistance and licensing GPR appropriations would be reduced by \$700,000 in 2001-02 and \$550,000 in 2002-03; (c) to further limit parks SEG expenditures reduce administration, technology, customer assistance and licensing SEG appropriations supported by the parks account by \$600,000 in 2001-02 and \$500,000 in 2002-03. Under the bill (and in conjunction with a one-time transfer of \$1,718,000 from tribal gaming revenue described separately) the parks account would be expected to have a June 30, 2003, balance of approximately \$530,000. Administration-related GPR and SEG reductions under the bill would be taken from funds appropriated for supplies and services (no staff salary related reductions would be made) as follows:

	<u>2001-02</u>	<u>2002-03</u>
Customer Assistance and External Relations		
CAER Program Management	-\$76,200 GPR -24,600 SEG	-\$59,900 GPR -20,500 SEG
Community Financial Assistance	-39,800 GPR -7,200 SEG	-31,300 GPR -6,000 SEG
Communication and Education	-5,700 GPR -25,800 SEG	-4,500 GPR -21,500 SEG
Customer Service and Licensing	-15,300 GPR -76,200 SEG	-12,000 GPR -63,500 SEG
Administration and Technology		
Human Resources	-4,300 GPR -62,400 SEG	-3,400 GPR -51,700 SEG
Enterprise Information, Technology, and Applications	-153,900 GPR -102,400 SEG	-120,900 GPR -85,400 SEG
Administrative and Field Services	-248,400 GPR -96,100 SEG	-195,100 GPR -80,300 SEG
Finance	-141,000 GPR -139,400 SEG	-110,800 GPR -116,800 SEG
Legal Services	-10,300 GPR -24,400 SEG	-8,100 GPR -20,400 SEG
Administration	-5,100 GPR -24,400 SEG	-4,000 GPR -20,300 SEG
Management and Budget	<u>-17,000</u> SEG	<u>-13,600</u> SEG
Total	-\$1,300,000 -\$600,000 SEG -\$700,000 GPR	-\$1,050,000 -\$500,000 SEG -\$550,000 GPR

DISCUSSION POINTS

License Fees

1. The last increase in state park vehicle admissions fees occurred in 1996. The following table includes a history of vehicle admissions fees.

	<u>1962</u>	<u>1968</u>	<u>1971</u>	<u>1973</u>	<u>1980</u>	<u>1984</u>	<u>1988</u>	<u>1990</u>	<u>1992</u>	<u>1996</u>
Resident annual	\$2.00	\$3.00		\$5.00	\$10.00	\$12.00	\$14.00	\$14.00	\$15.00	\$18.00
Additional Annual				\$1.50	\$2.00	\$3.00	\$3.50	\$3.50	\$7.50	\$9.00
Resident daily	\$0.50	\$1.00							\$4.00	\$5.00
Non-resident annual			\$6.00	\$8.00	\$15.00	\$20.00	\$30.00	\$28.00	\$24.00	\$25.00
Additional Annual									\$12.00	\$12.50
Non-resident daily			\$2.00	\$2.50	\$3.00	\$5.00	\$6.00	\$6.00	\$6.00	\$7.00
Senior citizen annual (recreation card until 1992)									\$6.50	\$9.00
Senior citizen daily (recreation card until 1992)									\$2.00	\$3.00

2. Until 1992, senior citizens could purchase a recreation card for \$15, which included lifetime small game hunting, fishing, and parks admittance privileges. Beginning in 1996, the senior citizen annual vehicle admissions sticker was priced at one-half the cost of a resident annual park sticker. This allows the same half-price admission sticker to be sold to residents purchasing a sticker for a second vehicle and to senior citizens. Under the bill, the senior citizen annual sticker would remain at \$9, while the resident additional annual sticker would increase to \$10. The Department indicates that this change would necessitate the development of a new sticker for senior citizens, and require programming the change into the Automated License Issuance System (ALIS), for a combined cost of approximately \$10,000 to \$25,000. Since DNR does not distinguish between half-price stickers sold for second vehicles and stickers sold to senior citizens, it is difficult to estimate the fiscal effect of increasing the half-price additional annual sticker to \$10 while maintaining the senior citizen admission sticker at the \$9 rate. Assuming that an equal proportion of half-price stickers are for additional annual sales and for senior citizens, then increasing the fee from \$9 to \$10 for senior citizens would be expected to generate \$3,900 in 2001-02 and \$10,500 in 2002-03. In addition, this would allow the current practice of using one discounted sticker to continue (rather than creating separate admissions stickers for senior citizens and additional annual stickers).

3. Historically, significantly increasing the cost of parks admission stickers has lead to reductions in sales due to price resistant behavior in consumers. However, variations in annual attendance seem to vary strongly with seasonal weather conditions as well. While increasing the cost of vehicle admissions stickers may lead to a decrease in sales, it is likely that the overall sales trend will also be affected by the quality of the weather.

Parks Account Funding Structure

4. As part of its December 21, 1999, request to the Joint Committee on Finance under s.13.10, DNR received a total of \$581,100 SEG in 1999-00 and \$903,600 SEG in 2000-01 and 21.14 positions to increase staffing at various parks properties. While this request had the potential to create a structural imbalance to the parks account of over \$1 million, the Department argued that increased staffing would make parks more attractive to visitors as the quality of customer service and educational opportunities would improve. In addition, DNR contended that providing staff to

extend the monitoring of admissions stations would generate additional revenues due to increased sales of vehicle admissions stickers. Revenues, however, did not increase as expected. Parks staff indicate that the weather played a significant role – most of May, 2000 (including Memorial Day weekend) was rainy, and a number of parks (including Devil's Lake State Park) were closed periodically in June due to flooding. In addition, trail areas and campsites throughout the system experienced washouts due to the heavy rainfall.

5. Parks account expenditures exceeded revenues by approximately \$1.1 million in 1999-00. In 2000-01, ongoing expenditures are expected to exceed revenues to the parks account by \$1.7 million. In addition, 1999 Act 9 required DNR to lapse \$630,000 in 1999-00 and \$500,000 in 2000-01 from the parks account to the general fund. The parks account is projected to have a \$300,000 deficit on June 30, 2001. If current expenditure and revenue trends were allowed to continue, it is estimated that the parks account would have a balance of approximately -\$3.6 million on June 30, 2003.

6. Under the bill, the structural imbalance within the parks account would be addressed in two ways. First, the cost of vehicle admissions stickers would be increased, generating additional revenue. The administration's estimates of this revenue increase may be overstated, however. After adjustments were made to reflect historical levels of price resistance and that a portion of admissions fees related to state forest operations are deposited in the forestry account, revised estimates indicate that parks account revenues are likely to increase by \$621,500 in the biennium (\$203,600 in 2001-02 and \$417,900 in 2002-03) over the base, generating approximately \$253,700 less over the biennium than assumed during the development of the executive budget.

7. The second approach to balancing the parks account focuses on reducing expenditures. Under the bill, expenditures from the parks account would be reduced by \$1.3 million in 2001-02 and \$1.05 million in 2002-03. This reduction, combined with the increase in revenues from vehicle admissions stickers, would reduce the imbalance between revenues and expenditures to -\$100,000 in 2002-03. As a result, under the bill state parks operations would be budgeted as shown in the following table. GPR support of parks operations would go from 37% of base expenditures to 40% in 2002-03 under the bill, while parks SEG would decline from 63% to 60%.

<u>SB 55</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Percent</u> <u>2002-03</u>
GPR	\$,176,500	\$5,926,000	\$5,777,600	40%
<u>SEG</u>	<u>8,907,000</u>	<u>8,497,700</u>	<u>8,647,700</u>	60%
Total Parks Operations	\$14,083,500	\$14,423,700	\$14,425,300	

8. Under the bill, parks SEG expenditure authority for administration, technology, and customer assistance and licensing services would be reduced by \$600,000 in 2001-02 and \$500,000 in 2002-03. The remaining adjustment would shift funding for parks operations from parks SEG to

GPR to maintain current parks operations. This parks operations SEG reduction of \$700,000 in 2001-02 and \$550,000 in 2002-03 would be replaced by GPR for parks operations that is generated from GPR reductions in funding to the Divisions of Administration and Technology and Customer Assistance and External Relations (CAER).

9. As the SEG reductions were also compensated for by programs in these two divisions, Administration and Technology and CAER would absorb the entire funding adjustment. Under the bill, these Administration and Technology general operations appropriations are provided approximately \$24.6 million (\$8.5 million GPR and \$16.1 million SEG) annually and CAER approximately \$15.5 million (\$2.5 million GPR and \$13 million SEG). DOA has indicated that these adjustments would not require reductions in staffing, and could be absorbed with funds allocated for permanent property, supplies and services. DNR has indicated that while it would absorb a portion of the reductions from the supplies and services lines of the designated appropriations, the reduction would represent an approximately 4% loss in the total non-salary related budget for these two divisions. Further, the adjustments would represent a reduction in the supplies and services lines of the four general operations appropriations for Administration and Technology and CAER where the reductions are made of roughly 8% annually. The Department argues that amounts budgeted in the supplies and services lines include a number of non-discretionary and fixed costs, including rental fees, insurance premiums, and data processing chargebacks to DOA. Therefore, DNR believes various CAER and Administration and Technology Bureaus may also experience staff-related impacts. DNR has indicated that its eventual plan may include the elimination of some vacant positions and some hiring delays in order to meet the required reductions.

10. In addition to these adjustments, the parks account would receive a one-time transfer of \$1,718,000 in tribal gaming revenues (discussed in a separate Legislative Fiscal Bureau paper). Therefore, total adjustments under the bill, including: (a) parks SEG reductions; (b) GPR increase to parks operations from CAER and Administration and Technology; and (c) tribal gaming revenues would result in an anticipated balance of \$530,000 on June 30, 2003 (as shown in the following table).

Parks Account Condition Statement
(\$ in Millions)

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Opening Balance - July 1	\$3.0	-\$0.3	\$0.3
Revenue:			
Parks Revenue	10.3	10.7	11.2
Tribal Revenue	<u>0.0</u>	<u>1.0</u>	<u>0.7</u>
Total Revenue	\$10.3	\$11.7	\$11.9
Total Available	\$13.3	\$11.4	\$12.2
Expenditures:			
Lakeshore State Park	\$12.0	\$11.0	\$11.3
Lapses	1.0		
Reserves	-0.3		
	<u>0.3</u>	<u>0.1</u>	<u>0.3</u>
Total Expenditures	\$13.1	\$11.2	\$11.6
Lapse to General Fund	0.5	---	---
Closing Balance	-\$0.3	\$0.3	\$0.5

11. The restructuring of the parks account funding appropriations was included in SB 55 in order to balance revenues and expenditures to the account over the biennium. As demonstrated above, the parks account is expected to have a balance in excess of \$500,000 at the end of the biennium. From this perspective, it may be argued that an increased level of expenditure from the parks account could be maintained for services received from Administration and Technology and CAER. Providing \$246,200 in 2001-02 and \$249,700 in 2002-03 would decrease the reductions required for these two divisions by 19% in 2001-02 and by 24% in 2002-03. Reductions would be taken as follows:

Adjusted Reductions

	<u>2001-02</u>	<u>2002-03</u>
Customer Assistance and External Relations		
CAER Program Management	-\$76,200 GPR -14,500 SEG	-\$59,900 GPR -10,300 SEG
Community Financial Assistance	-39,800 GPR -4,200 SEG	-31,300 GPR -3,000 SEG
Communication and Education	-5,700 GPR -15,200 SEG	-4,500 GPR -10,800 SEG
Customer Service and Licensing	-15,300 GPR -45,000 SEG	-12,000 GPR -31,800 SEG
Administration and Technology		
Human Resources	-4,300 GPR -36,800 SEG	-3,400 GPR -25,900 SEG
Enterprise Information, Technology, and Applications	-153,900 GPR -60,400 SEG	-120,900 GPR -42,700 SEG
Administrative and Field Services	-248,400 GPR -56,700 SEG	-195,100 GPR -40,200 SEG
Finance	-141,000 GPR -82,200 SEG	-110,800 GPR -58,400 SEG
Legal Services	-10,300 GPR -14,400 SEG	-8,100 GPR -10,200 SEG
Administration	-5,100 GPR -14,400 SEG	-4,000 GPR -10,200 SEG
Management and Budget	<u>-10,000 SEG</u>	<u>-6,800 SEG</u>
Total	-\$1,053,800 -353,800 SEG -\$700,000 GPR	-\$800,300 -\$250,300 SEG -\$550,000 GPR

12. Some have argued that the tourism and related economic benefits generated from out-of-state visitors to the State Parks is an important factor in the state and local economies. From this view, significantly raising nonresident parks admission fees may be seen as discouraging tourism by out-of-state visitors. For example, while fees for residents would be increased by 11% for annual and daily admissions fees under the bill, non-resident fees would increase by 20% for an annual sticker and 43% for a daily sticker. Applying a rate increase to non-resident vehicle admissions stickers consistent with the increase for residents would result in a \$3 increase (to \$28) for an annual sticker and a \$1 increase (to \$8) for a daily sticker. This change would be expected to reduce projected revenues under the bill by \$44,900 in 2001-02 and by \$91,600 in 2002-03, resulting in an expected June 30, 2003, balance of \$395,000 to the parks accounts (\$410,000 if the

senior citizen stickers is maintained at one-half price).

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to increase certain vehicle admissions fees as shown in Table 1. As reestimated, this would generate additional funding of \$203,600 in 2001-02 and \$417,900 in 2002-03. Further, (a) delete \$700,000 in 2001-02 and \$550,000 in 2002-03 of parks SEG and provide the same amount of GPR for parks general operations; (b) in order to generate the GPR for parks operations, administration, technology, customer assistance and licensing GPR appropriations would be reduced by \$700,000 in 2001-02 and \$550,000 in 2002-03; (c) to further limit parks SEG expenditures reduce administration, technology, customer assistance and licensing SEG appropriations supported by the parks account by \$600,000 in 2001-02 and \$500,000 in 2002-03.

Alternative 1	SEG
2002-03 REVENUE (Change to Base)	\$621,500
<i>[Change to Bill]</i>	<i>-\$253,700]</i>
2001-03 FUNDING (Change to Base)	-\$2,350,000
<i>[Change to Bill]</i>	<i>\$0]</i>

2. Approve the Governor's recommendations, except restore \$246,200 SEG in 2001-02 and \$249,700 SEG in 2002-03 from the parks account to increase administration, technology, customer assistance, and licensing SEG appropriations funded by the parks account. (Parks SEG reductions to the two Divisions would be \$353,800 in 2001-02 and \$250,300 in 2002-03, compared to \$600,000 in 2001-02 and \$500,000 in 2002-03 under SB 55.)

Alternative 2	SEG
2001-03 REVENUE (Change to Base)	\$621,500
<i>[Change to Bill]</i>	<i>-\$253,700]</i>
2001-03 FUNDING (Change to Base)	-\$1,854,100
<i>[Change to Bill]</i>	<i>\$495,900]</i>

3. Approve the Governor's recommendation. In addition, make the following adjustments:

a. Increase the senior citizen annual sticker to \$10 (from \$9). (This would maintain the admission sticker at half the price of a resident annual sticker. Revenue is estimated to increase by \$3,900 in 2001-02 and \$10,500 in 2002-03.)

Alternative 3a	SEG
2001-03 REVENUE (Change to Base)	\$14,400
<i>[Change to Bill]</i>	<i>\$14,400]</i>

b. Modify the fee increase for non-resident admissions stickers to \$3 for an annual (from \$25 to \$28) and \$1 for a daily admission (from \$7 to \$8). (This nonresident increase would be consistent with the percentage increase for residents under the bill.)

Alternative 3b	SEG
2001-03 REVENUE (Change to Base)	- \$136,500
<i>[Change to Bill]</i>	<i>- \$136,500]</i>

4. Maintain current law. (DNR would be required to reduce Parks expenditures to meet available revenues.)

Alternative 3	SEG
2001-03 REVENUE (Change to Base)	\$0
<i>[Change to Bill]</i>	<i>- \$875,200]</i>

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