

# **ISSUES IMPACTING THE FISCAL HEALTH OF THE STATE PARKS PROGRAM**

A Report Prepared for the  
**Legislative Finance Committee**

By  
Barbara Smith, Fiscal Analyst II

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# INTRODUCTION

In 1929 the legislature authorized the land board to designate state lands as parks. The first park, Lewis & Clark Caverns, was acquired in 1936 via donation of 650.06 acres from the Northern Pacific Railroad. Seventy three years later, the Parks Division within the Department of Fish, Wildlife and Parks manages 53 state parks, covering approximately 40,000 acres.

A state park is generally defined as a park or other protected areas of land preserved on account of its natural beauty, historic interest, recreation or other reason, and under the administration of the state. Montana code supports the development of state parks for this purpose (23-1-101, MCA). The department has categorized 53 sites as state parks. The system includes large developed parks, primitive or minimally developed parks, areas of cultural interest, and even a prairie dog town. The diversity of the system plays a role in the current and future fiscal health of the system.

According to a 2002 Economic Impact Survey of Visitor's to Montana's State Parks<sup>1</sup>, on average parks visitors spent \$32.29 per group per day around Montana, of majority of which went to the local communities near state parks. With the main state park season being approximately 90 days, the seasonal economic impact to the state would be approximately \$212.4 million. This data, though dated, does indicate there is economic value to Montana to maintain an accessible and appropriate parks system. Recent discussions with the department indicate that updating this survey is under consideration.

The purpose of this report is inform to the legislature of a number of issues that impact the stability of the parks system, including 1) stagnant fiscal resources to operate the system; 2) lack of statutory guidance for the parks system; and 3) acquisition of new parks.

## ISSUES

### STAGNANT FISCAL RESOURCES

#### Revenues

During the 2003 legislative session, general fund was eliminated from the Parks Division budget and replaced with an "opt out" \$3.50 vehicle registration fee. Resident day use fees were also eliminated. The implementation of the plate fee temporarily increased revenues to the state parks system; however, those revenues are now flat, creating a fiscal challenge for the parks system.

The parks program is funded by four major sources:

- Bed Tax - 6.5 percent for the maintenance of facilities in state parks, (statutorily appropriated)-15-65-121 (1)(c), MCA
- Coal Severance Taxes – 1.27 percent for the purpose of parks acquisition or management -15-35-108 (4), MCA
- Motorboat Fuel Tax -9/10 of 1.0 percent for the creation, improvement, and maintenance of state parks where motor boating is allowed - (60-3-201(4), MCA
- State Parks Miscellaneous – the state special revenue fund where the vehicle fee, camping, commercial use, concessions and other related revenues are deposited for the purpose of supporting state parks -23-1-105, MCA

The ten year revenue history of each source is noted in Figure 1. The bed tax has doubled in the past decade, but the coal severance tax and the motorboat fuel tax have remained flat. The funds from coal severance taxes were adjusted in both the 2001 and 2003 legislative sessions to deal with decreased revenues to the state. The

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<sup>1</sup> University of Montana, Bureau of Business and Economic Research, November 2002

state parks miscellaneous fund increased significantly in FY 2004 with the implementation of the light vehicle registration fee, or the plate fee.

**Figure 1**  
Department of Fish, Wildlife and Parks - Major Revenue Source for the Parks Program

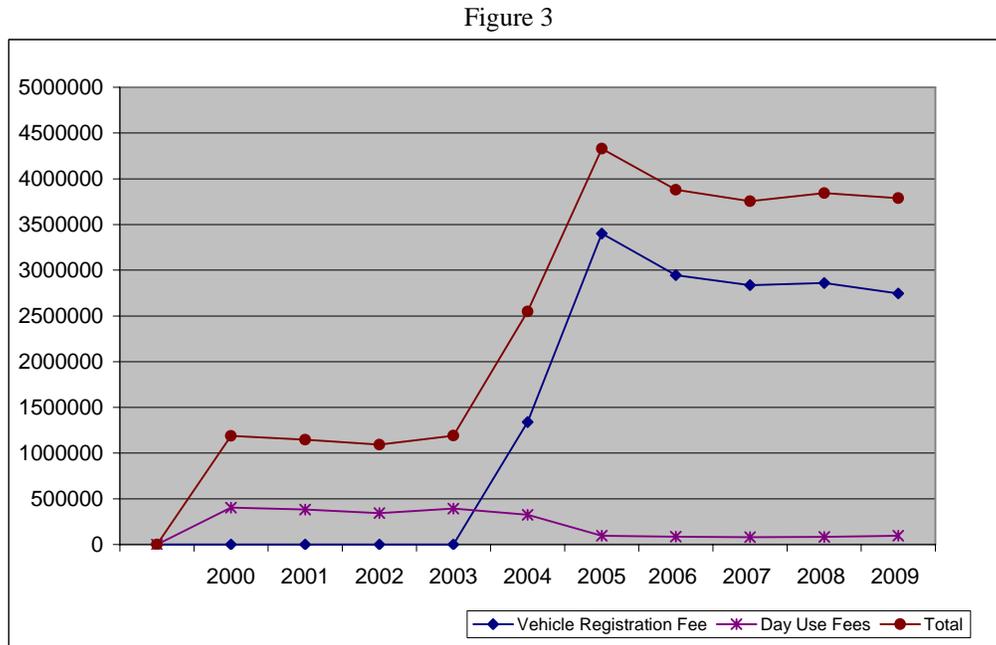
	Actual										Projected	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
02274 - Bed Tax	\$683,423	\$682,624	\$733,850	\$769,199	\$865,807	\$887,350	\$910,440	\$1,160,434	\$1,117,667	\$1,074,826	\$1,175,000	\$1,225,000
02408 - Coal Tax	1,103,431	1,059,393	1,129,826	1,129,100	1,039,904	1,044,208	888,754	990,758	1,168,343	1,003,879	1,079,000	1,112,000
02411 - State Parks Misc.	1,652,204	1,664,708	1,496,221	1,744,096	3,217,544	4,800,554	4,339,958	4,601,078	4,325,769	4,394,632	4,415,609	4,415,609
02412 - Motorboat Fuel	<u>1,293,927</u>	<u>1,158,095</u>	<u>1,174,389</u>	<u>1,170,010</u>	<u>1,203,408</u>	<u>1,122,338</u>	<u>1,190,844</u>	<u>1,210,284</u>	<u>1,137,441</u>	<u>1,085,547</u>	<u>1,086,000</u>	<u>1,080,000</u>
<b>Total</b>	<u>\$4,732,985</u>	<u>\$4,564,820</u>	<u>\$4,534,286</u>	<u>\$4,812,405</u>	<u>\$6,326,663</u>	<u>\$7,854,450</u>	<u>\$7,329,996</u>	<u>\$7,962,554</u>	<u>\$7,749,220</u>	<u>\$7,558,884</u>	<u>\$7,755,609</u>	<u>\$7,832,609</u>

The plate fee is the largest revenue source to the miscellaneous fund. The major sources of revenue to the miscellaneous fund are detailed in Figure 2. As the plate fee has leveled off, so has the total revenue to the fund.

**Figure 2**  
State Parks Miscellaneous  
Major Revenue Streams

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Lt Vehicle Registration	\$0	\$0	\$0	\$0	\$1,339,791	\$3,401,832	\$2,947,055	\$2,835,665	\$2,859,106	\$2,745,194
Camping /Cabin Rentals	285,083	261,668	252,446	293,967	438,315	425,341	442,816	425,468	444,141	532,229
Passports	197,280	202,299	250,060	240,034	58,470	13,740	15,030	15,885	18,893	24,010
Guided Tours	303,140	301,107	246,323	264,879	388,835	392,000	387,609	395,917	436,864	390,890
Day Use Fees	<u>403,215</u>	<u>381,684</u>	<u>342,107</u>	<u>393,065</u>	<u>323,919</u>	<u>95,263</u>	<u>86,729</u>	<u>81,691</u>	<u>83,485</u>	<u>96,788</u>
<b>Subtotal</b>	<b>\$1,188,718</b>	<b>\$1,146,758</b>	<b>\$1,090,936</b>	<b>\$1,191,945</b>	<b>\$2,549,330</b>	<b>\$4,328,176</b>	<b>\$3,879,239</b>	<b>\$3,754,626</b>	<b>\$3,842,489</b>	<b>\$3,789,111</b>

Figure 3 illustrates graphically the change from day use to the plate fee in relationship to the total revenue. In summary, the revenues for the parks program have remained relatively flat since FY 2005.



## Expenditures

Expenditures have continued to rise. Figure 4 summarizes the per biennium expenditure from the four major funds from the 2005 biennium forward. The 2005 biennium represents expenditures prior to the plate fee being fully implemented as compared to 2011 established appropriations. Over the course of five biennia, expenditures from these funds have increased by a total of 180 percent. The majority of this increase was funded by the plate fee.

Biennium	Total	
	Expenditures	Biennial Growth Rate
2005	\$6.4	
2007	14.3	123.4%
2009	17.5	22.4%
2011	17.9	2.3%
Total Growth Rate		179.7%

## Structural Balance

A simple test of fiscal stability is to compare revenues to expenditures. This illustrates if an entity is utilizing fund balance to finance program activities. As fund balances begin to be depleted, long term financing comes into question. Figure 5 provides detail of expenditures, revenues, and fund balances from FY 2006 forward. During the 2009 biennium, expenditures exceeded revenues by \$1.4 million in FY 2008 and \$.07 million in FY 2009. This reduced fund balances by \$2.1 million. The same will occur in FY 2010, the degree of which is unknown because total capital expenditures by year are not known. If all capital appropriations are expended in FY 2010, then expenditures will exceed revenues by \$2.8 million. If FY 2010 and FY 2011 revenues and expenditures are examined as a biennium, structural balance does not occur.

Funds	Actual			Projected			
	Beginning Fund Balances	2006	2007	2008	2009	2010	2011
02274 - Bed Tax	\$863,090	\$816,859	\$1,026,156	\$1,160,676	\$1,190,529	\$1,218,348	
02408 - Coal Tax	572,179	516,521	619,469	396,067	265,854	5,874	
02411 - State Parks Misc.	4,357,218	4,858,963	4,964,873	3,664,694	3,023,264	730,616	
02412 - Motorboat Fuel	<u>348,228</u>	<u>635,907</u>	<u>799,335</u>	<u>766,928</u>	<u>754,863</u>	<u>416,647</u>	
Subtotal	\$6,140,715	\$6,828,250	\$7,409,833	\$5,988,365	\$5,234,510	\$2,371,485	
<b>Revenues</b>							
02274 - Bed Tax	\$910,440	\$1,160,434	\$1,117,667	\$1,074,826	\$1,175,000	\$1,225,000	
02408 - Coal Tax	888,746	990,758	1,168,343	1,003,879	1,079,000	1,112,000	
02411 - State Parks Misc.	4,339,958	4,601,078	4,325,769	4,394,632	4,415,609	4,415,609	
02412 - Motorboat Fuel	<u>1,190,844</u>	<u>1,210,284</u>	<u>1,137,441</u>	<u>1,085,547</u>	<u>1,086,000</u>	<u>1,080,000</u>	
Subtotal	\$7,329,988	\$7,962,554	\$7,749,220	\$7,558,884	\$7,755,609	\$7,832,609	
Available Funds	\$13,470,703	\$14,790,804	\$15,159,053	\$13,547,249	\$12,990,119	\$10,204,094	
<b>Expenditures/Appropriations (Inc. Capital)</b>							
02274 - Bed Tax*	(\$956,671)	(\$979,412)	(\$983,148)	(\$1,044,972)	(\$1,147,181)	(\$892,077)	
02408 - Coal Tax	(944,403)	(887,810)	(1,389,745)	(1,136,091)	(1,338,980)	(1,156,429)	
02411 - State Parks Misc.	(3,838,213)	(4,495,198)	(5,625,918)	(5,036,063)	(6,708,257)	(3,916,827)	
02412 - Motorboat Fuel	<u>(902,701)</u>	<u>(1,022,733)</u>	<u>(1,169,848)</u>	<u>(1,097,612)</u>	<u>(1,424,216)</u>	<u>(1,107,909)</u>	
Subtotal	(\$6,641,988)	(\$7,385,153)	(\$9,168,659)	(\$8,314,738)	(\$10,618,634)	(\$7,073,242)	
<b>Ending Fund Balance</b>							
02274 - Bed Tax	\$816,859	\$997,881	\$1,160,675	\$1,190,530	\$1,218,348	\$1,551,271	
02408 - Coal Tax	516,522	619,469	398,067	263,855	5,874	(38,555)	
02411 - State Parks Misc.	4,858,963	4,964,843	3,664,724	3,023,263	730,616	1,229,398	
02412 - Motorboat Fuel	<u>636,371</u>	<u>823,458</u>	<u>766,928</u>	<u>754,863</u>	<u>416,647</u>	<u>388,738</u>	
Total Ending Fund Balance	\$6,828,715	\$7,405,651	\$5,990,394	\$5,232,511	\$2,371,485	\$3,130,852	
Structural Balance	\$688,000	\$577,401	(\$1,419,439)	(\$755,854)	(\$2,863,025)	\$759,367	

\* Statutorily Appropriated

The fiscal health of the four major funds indicates that program is in a precarious position to continue operations at a consistent level based on flat revenues. Nominal increases to salaries and operating costs such as fuel and electricity will drive expenditures higher while revenues remain flat. While this growth plays a part of the future health of the park system, the bigger issue is what type of program will the legislature need to fund on flat revenues.

The fiscal health of the system is dependent upon the characteristics of the system. The ability to maintain a diverse park system that meets public expectations will be a challenge at best due to funding issues. It will be a greater challenge when given acquisition and development issues.

## **LACK OF STATUTORY GUIDANCE**

The authority to develop state parks has been granted to the department. However, the statute is silent regarding how many sites should exist, where they should be located, and how new sites should be selected. Instead, those decisions are left to the department. When this occurs, the department may be in the position to obtain land, develop a park and then ask the legislature for funding to maintain and operate that park after the fact. As resources for operations and maintenance have become tight, the scope of the state park system becomes a bigger factor.

The only statutory controls on parks land are the requirements to seek Fish, Wildlife and Parks Commission approval for land purchases, swaps or leases and for the Board of Land Commissioners to approve any acquisition land larger than 100 acres or greater than \$100,000 in value. One exception is acquisitions that would be funded with coal severance taxes, which must come before the legislature. However, the department has not acquired land with this fund since FY 2003. Recent acquisitions of land have been made through one-time appropriations.

## **NEW ACQUISITIONS**

During the 2005 Legislative Session, the legislature granted the department \$10.0 million of general fund authority to purchase land for the purpose of access. The program, known as Access Montana, has funded or partially funded 17 parcels, including wildlife management acreage, fishing access sites, and state parks land. This total included land for the Marias River State Park and the Yellowstone River State Park. Since that acquisition the department has established access to the Maria River parcel and has begun the process to develop camping, day use, and other facilities at both parks. As the capital improvements are completed, operations and maintenance costs that were not considered by the legislature will be incurred.

As parcels are purchased, development costs and future maintenance costs need to be considered. With the passage and approval of SB 164, a new tool is available to address maintenance. The bill directs the department to set aside an additional 20 percent of the purchase price or \$300,000, whichever is lower, to be used for maintenance. These funds are statutorily appropriated to be used by the department as needed. In addition, the bill requires that maintenance be given priority over new purchases. The first state park parcel to be acquired under this new law will most likely be Fish Creek. This 41,000 acre parcel is being purchased for \$14.35 million or \$350 per acre. This parcel will be split between a wildlife management area and a state park. It is anticipated that 4,000 to 6,000 acres will be set aside for the park. According to SB 164, the department will need to set aside \$300,000 of which only \$42,000 will be available for park maintenance since only 14 percent of the acquisition will be a state park. In addition, the \$42,000 will be set aside from the state parks miscellaneous fund, a fund that is already declining. When SB 164 was contemplated it was on a per parcel acquisition. Therefore, this park will not have a significant source of maintenance funds.

In addition, consider the primitive park system that is defined at 23-1-116, MCA. The statute allows for limited development of those sites and allows for camping fees to be collected at only two of the 15 sites. In examining the department's web site, it was noted that six sites in total have developed campsites. Those parcels require operations and maintenance and yet only two parks produce any income to assist with such costs. As with other state parks, those costs will increase.

## **Legislative Discussion**

In the coming biennium, the fiscal health of the state parks will be questionable. As new parks are purchased, developed and brought on line, stress on fiscal resources for maintenance and operations will increase. To begin to address the situation the legislature may wish to engage in discussions with the department to consider:

- Defining a state parks system in statute
- Identifying issues in statute that prohibit maximization of revenues
- Examining current revenue streams and identify additional opportunities
- Considering alternatives to link capital appropriations with future operations and maintenance costs

The committee may wish to complete this work by:

- Directing staff to work with the department and return with recommendations to the full committee
- Appointing two members from the committee to work with staff to develop recommendations to return to the full committee
- Take no formal action