

Financial Management

Goal: Stabilize and strengthen the division's financial condition.

Alaska's state park system is the largest in the nation and attracts over four million visitors each year, 80 percent of which are Alaska residents. Over 3.2 million acres and 121 park units are within the system. Compared to other states, the system is ranked one of the lowest for both the number of employees and the amount it spends per visitor (\$ 1.50). Because of its small staff and budget, the division faces serious challenges in meeting the needs and expectations of its visitors. The division, despite these challenges, remains committed to providing the best possible park system and programs by using a variety of innovative and creative means. Efficient financial strategies must be in place in the future to achieve this division goal and ensure more effective financial decisions.

Alaska State Parks has an ongoing program of "contract management." There are now 44 facilities within 25 park units managed by private contractors. The types of facilities that are contracted out include historic buildings and sites, nature centers, public use cabins, campgrounds, and parking areas. Contracted facilities are generally located near population centers and on the road system. These are the facilities that generate an income stream that is more than adequate to cover the cost of daily operations and therefore are of interest to contractors and non-profits. Many of the 121 facilities and units of the state park system are not as heavily used, and as a result, past attempts to interest contractors in operating these lesser-used facilities have been largely unsuccessful.

Contracting out facility operations still does not entirely relieve the division of its management responsibilities and the costs associated with them. The division still retains the obligation and liability of larger maintenance needs, law enforcement and

contract oversight. For example, a contractor can fix a latch on an outhouse door and, if revenues are adequate, build more picnic tables with the maintenance account set aside from the proceeds. The maintenance account does not provide enough for the contractor to repair roads, rehabilitate campsites, maintain the remainder of the park unit or address the estimated \$49 million deferred maintenance backlog.¹

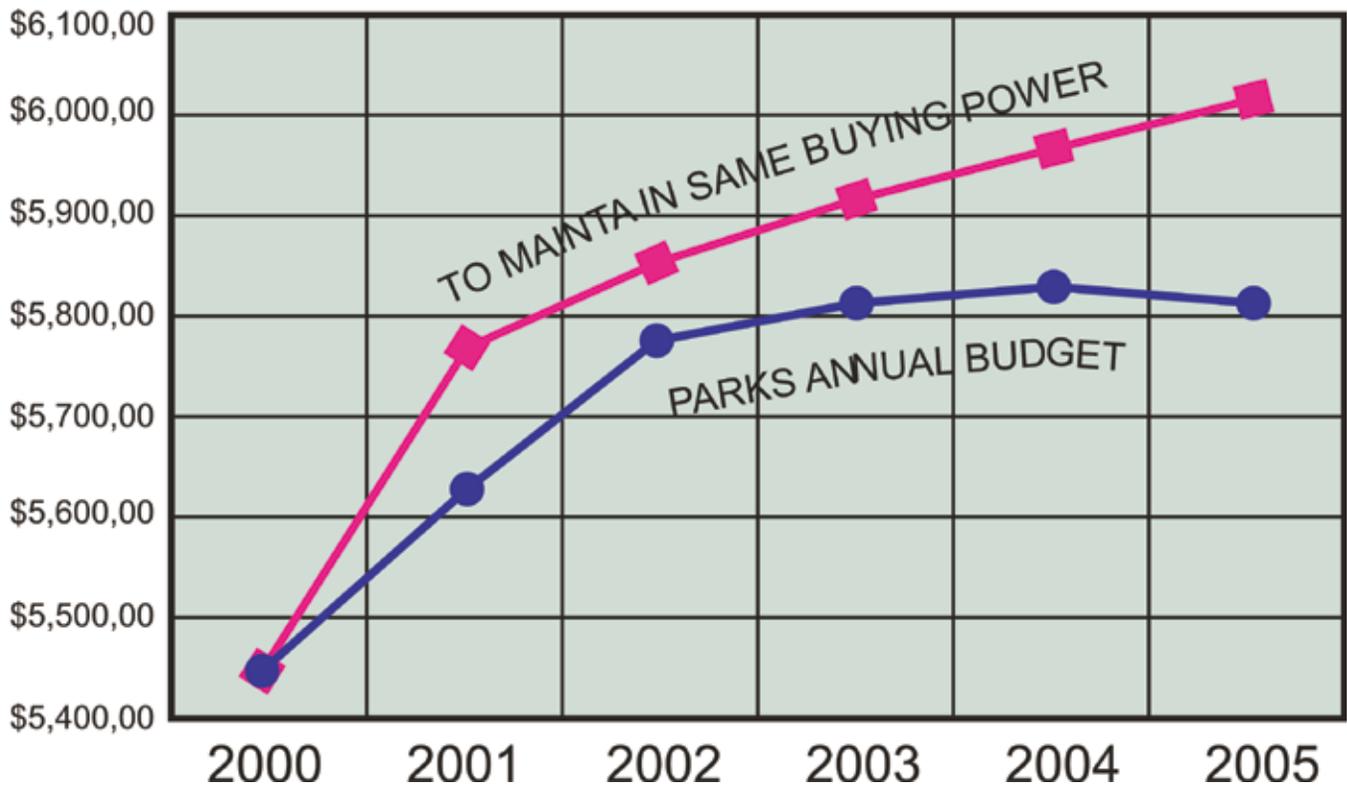
While contracting provides an opportunity to stretch the operating budget, it alone will not allow for a sustainable park system. The inherent functions of government still remain. Such functions include law enforcement; public safety; resource management; contract administration; permit management; authorizing and monitoring uses on park land; and staffing the State Historic Preservation Office. In addition to campgrounds, trailheads and boat launches, the division has defined responsibilities for resource and recreation management identified in state statute.

For the past ten years, legislative directives and funding have emphasized increased collection of user fees. The division's response was to increase and expand user fees. This is evidenced by the fact that in 1992, user fees funded just 14 percent of the division's budget. In 2005 these fees funded 32 percent of the budget.² At the same time, state general fund support for the division has decreased considerably from 84 percent in 1992 to just 57 percent in 2005. As a result, the division's budget has remained relatively flat the last few years and actually decreased in relation to inflation (Figure 1). This is further exacerbated by the fact that health care and energy costs, which constitute a significant portion of the division's budget, have increased faster than the rate of inflation over this timeframe.

¹ Deferred maintenance is under the Recreation goals and objectives section.

² The remainder of the budgets in 1992 and 2005 were made up of other sources, such as federal grants, and payments from other agencies requesting our assistance in management of resources

Figure 1. Division's Budget in Relation to Inflation, 2000-2006



The ability to generate additional revenues through fees is approaching its limit. Market resistance to further fee increases is evidenced by park users' opposition to these increases and the fact that the facilities that are most likely to generate revenues already have fees. The resistance to pay from both park users and commercial operators has increased to the point that visitation is at risk of dropping significantly if fees are increased further. A 2004 survey³ of state residents found that a significant majority were willing to pay user fees, but the amount they were willing to pay was well below what the division was charging at that time. While there remain some opportunities to collect additional fees in new areas and raise fees in other areas, this funding source cannot be depended on to provide significant new revenues that support the division's operations and deferred maintenance needs.

Strong public sentiments expressed at focus group meetings in the summer of 2006 and through the Statewide Comprehensive Outdoor Recreation Plan survey in 2004 indicate that the State Park System cannot be expected to pay for itself entirely through user fees. In addition, many felt that beneficiaries of the division's facilities, recreation opportunities and statewide programs should not be limited to just those who can afford to pay park fees. The personal, social, health and economic benefits of the division's programs, including the opportunity to experience physical and spiritual renewal in the park units, should remain available to all citizens, regardless of their economic status.

The stability of the division's budget is also a concern. Revenues from fees fluctuate dramatically from year-to-year depending on weather,

³ From the user survey conducted as part of developing Alaska's Outdoor Legacy, Statewide Comprehensive Outdoor Recreation Plan (SCORP) 2004-2009.

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visitation, fish runs, the economy and other factors. Approximately 25 percent of the user fees are collected in the last five weeks of each fiscal year, which ends June 30th. Fees collected must be used in the same fiscal year. As a result, park managers have difficulty predicting how much funding is available to operate during the busy summer season. To remain financially viable in the future, the division must seek additional general funds or other financial support to assure fiscal stability over the course of the year and from year-to-year.

Other than Louisiana, Alaska State Parks has the least diverse array of funding resources in the United States. Fifty-six percent of the annual budget comes from the General Fund, 32 percent from user fees, and 11 percent from other sources such as federal grants. One factor common to those state park systems that are particularly successful is their reliance on a diverse array of funding sources. The Alaska State

Park System relies on only a few funding sources and is therefore more susceptible to budget fluctuations from year-to-year. In order to create a successful and sustainable park system, it is essential that the division broaden its funding sources and utilize those sources in creative ways.

The division recognizes its historic and legal responsibility to keep parks accessible, affordable and open to all visitors. In the coming years, the division will make a reasonable, understandable and equitable system of user fees a priority and will also commit to working with the Legislature to retain a reasonable percentage of its total budget from the state's general fund dollars. In addition, the division will continue to seek state and federal funds for grants and the funds required to administer these programs. The grant programs the division administers have received wide public support and the objectives and strategies below are designed to improve and enhance these programs.



Objective I.

Deliver a financially stable park system and other division programs.

Action Strategies:

1. To ensure a financially viable park system, work closely with the Alaska Legislature, the Commissioner's and Governor's offices, constituents and others to provide full funding for division programs and park operations.
2. By 2009, sponsor economic studies of some of the larger park units in the system such as the Kenai River Special Management Area, Chugach State Park, Kachemak Bay State Park, Chena River State Recreation Area, and Wood-Tikchik State Park. The purpose of the studies will be to document their contribution to local and statewide economies. In addition to looking at the direct economic impacts, this effort should also assess and attempt to quantify the benefits that parks provide through storm water management, soil conservation, clean air and healthy recreation opportunities.
3. Encourage municipalities to direct a portion of their bed tax receipts to trail enhancements, interpretive signs, historic sites and other visitor facilities and programs.
4. Request that a portion of tax revenues received from the cruise ship industry be directed toward park facilities and services that benefit cruise ship passengers.
5. Encourage increases to the percentage of non-restricted federal-aid highway apportionments from their current level of two percent to their 2002 level of approximately eight percent. These funds are used to support the design and construction of recreation facilities within the units of the state park system along state and local roadways.
6. Increase the legislative appropriations to state park operations from the registration fees that the Division of Motor Vehicles already collects for off-road vehicles and RV's. These funds would be used for trail enhancements, RV campsites, trail ethics education and other programs and facilities. In addition, a portion of current boat registration fees should be directed toward building and maintaining boat launches and launch-associated parking.
7. Work with the Alaska State Parks friends groups to set up accounts with the Alaska Community Foundation or another foundation to encourage personal philanthropy toward the state park system.
8. Cooperate with supporters of the state park system to create a State Parks Foundation. The foundation would provide a means for benefactors to donate funds, goods and services to support the division's programs and park units.



Sheep Mountain, pullout at milepost 113, Glenn Hwy.

Objective II.

Continue and expand grant programs that provide for and enhance recreation, education, cultural resources and public safety.

Action Strategies:

1. Maximize federal funding through matching funds to ensure that the division receives 100 percent of its entitlements for federal outdoor recreation grant programs. This would include ensuring qualification for federal funding under 46 U.S.C., managing the Alaska Boating Safety Program to take full advantage of benefits available to the state under 46 U.S.C. 13101-13110, providing state funds to match the Land and Water Conservation Fund, and providing funding to the Historic Preservation Office to achieve annual certification and eligibility for the Historic Preservation Fund grant.
2. Recommend legislation to remove the sunset clause from the Alaska's Boating Safety Act (AS 05.25). If the Act sunsets, Alaska would no longer receive the state's share of federal funds for the state boating safety program.
3. Propose legislation by 2008 to increase snowmobile registration fees comparable to those in other snow-belt states in order to enhance and expand Alaska's trail grooming efforts.
4. Seek funding for the Alaska Outdoor Recreational, Open Space, and Historic Properties Development Fund Grant Program (11 AAC 17.010 – 11 AAC 17.900) to assist with the preservation of historic properties and seek capital funding for the Alaska Historic Preservation Plan.
5. Propose legislation and funding for new state-supported trail grant programs that are less restrictive than the current federal grant programs and are easier for applicants to apply for and comply with.
6. Propose changes in grant programs that are adequate to cover the cost of administering them.





Objective III.

Incorporate long-term financial planning and analysis into management decision making.

Action Strategies:

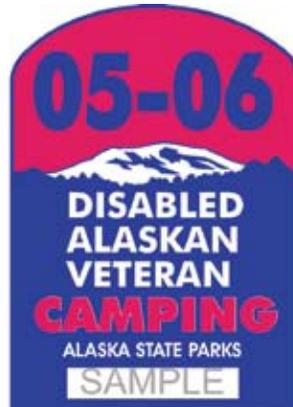
1. Develop a five-year, agency-wide business plan by 2009 to provide a blueprint for the division's business decisions, to guide efforts to efficiently generate revenue, and to be used in the annual budget implementation plan process. Update this plan annually. Based on available surveys, trend analyses and other information, the plan should project expenditures and revenues, identify fee changes and other initiatives to increase revenues.
2. By 2010, conduct a professional, comprehensive, asset-investment analysis at one pilot park to identify and recommend specific actions to improve efficiency, including increased investment and/or potential divestment of park assets. Complete similar analyses in other parks as funding/workload allow. The analyses should be completed in conjunction with the time and motion study described in the Human Resources section.
3. Initiate a study that assists in helping determine which park areas should be added to the system and which areas, if any, should be surplus. As part of this study:
 - a) Develop a list of areas that are currently managed by the division and those proposed to be added to the state park system by DNR plans, pending legislation and other proposals.
 - b) Audit all current and proposed lands managed by the division. The audit would include factors such as visitation rates, costs of operations and maintenance, how they were created (legislative designation, management agreement, purchase, donation etc.), deed restrictions and economic contribution to the local economy.
 - c) Using specific criteria, identify park units that should be added, deleted, or transferred to other agencies, passively managed, or have facilities removed.
 - d) Explore means for implementing the study's findings.
4. Create a consistent process that can be used for analyzing proposed projects, initiatives and park additions. This process will include an effective cost-benefit analysis methodology which fully accounts for administrative, fiscal and workforce expenditures.

Objective IV.

Provide effective administration and accountability for all programs.

Action Strategies:

1. As part of project-specific planning and budgeting processes, build projected maintenance and operating costs into funding plans for every capital project starting in 2008.
2. Identify and implement technologies that provide a more efficient and user friendly fee collection system at park entrances and other fee collection stations.
3. Improve communications with other departments when their projects are adjacent to or affect park land, resources or activities. In particular, this includes developing better communications with the Alaska Department of Transportation and Public Facilities to help clarify prior to each season which state park roads need to be serviced and when.
4. Secure funding to fully develop GIS capacity within the division. An integrated GIS database will result in more efficient operations and improved information for the public. Benefits include facilitating search and rescue, incident tracking, monitoring of natural resources, determining use patterns, project planning, and providing information to the public.
5. Continue to develop an integrated database for historic preservation programs which both saves staff time and funds while ensuring that these programs are in compliance with federal requirements.



Objective V.

Maintain the affordability of state parks while collecting fees to support parks and programs.

Action Strategies:

1. Beginning in 2007, evaluate every two years 11 AAC 05.010 regulations that allow collection of fees for facilities and areas. This evaluation will ensure that fees are commensurate with services and other considerations.
2. In 2007, propose capital improvement project funding that contributes to the design, construction and operation of the South Denali Visitor Complex.
3. Analyze the current fee structure and park fee elasticity (the degree to which visitors respond to changes in fees) and develop a more comprehensive, simple and understandable system of fees and passes for the public.
4. Encourage appropriate private sector enterprises through park concession agreements that provide services for park visitors outside of the division's expertise or mission.
5. Broaden the range of goods and services concessions are allowed to offer in state parks, while taking into consideration excessive commercialization of state parks.
6. Develop new facilities within, or complimentary to, state parks that are likely to produce at least enough revenue to pay for their maintenance and operations.