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RECREATION FEES

Demonstration Has Increased Revenues, but Impact on Park Service Backlog Is Uncertain

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Mr. Chairman and Members of the Subcommittee:

We are here today to discuss the Recreational Fee Demonstration Program. Most of my statement will summarize the results of our recently issued report on this program.¹ However, as you requested, we will also comment on two other issues—(1) the rate at which the National Park Service spends revenue collected under the program in comparison with the other agencies and (2) the impact of the fee program on the Park Service’s maintenance needs.

In summary, our overall message about the demonstration program is clearly positive. The program is providing hundreds of millions of dollars to improve visitor services and address the backlog of unmet needs in the four land management agencies. In addition, those who pay the fees generally support the program, and it has not appeared to have adversely affected visitation rates. Nonetheless, it is appropriate to focus today on several areas in which changes or improvements may be needed. Specifically, these issues include the need for greater coordination of fees by the agencies, greater innovation and flexibility in revenue distribution. These issues are important because the demonstration program is still at a stage where experimentation is encouraged. Most of our observations relate to doing just that—experimenting more to determine what works best. Regarding the Park Service, we found that the agency’s spending of demonstration program revenue has lagged substantially behind the other three agencies in the first 2 years of the program. This has been due primarily to the larger number and scale of Park Service projects and additional scrutiny these projects are receiving within the agency and the Department of the Interior. Further, the Park Service has not yet developed accurate and reliable information on its total deferred maintenance needs. Until this is done, determining the impact that the revenue from the fee program is having on these needs is not possible.

Demonstration Program Successful in Raising Revenue, but Improvements Can Be Made

The demonstration program affords opportunities to collect new and increased fees to the major agencies that provide the public with recreational opportunities on federal land—the Park Service, Bureau of Land Management, and Fish and Wildlife Service (all within the Department of the Interior), and the Forest Service (within the Department of Agriculture). Each agency can experiment with new or increased fees at up to 100 sites. By September 1998, such fees were in

¹Recreation Fees: Demonstration Fee Program Successful in Raising Revenues but Could Be Improved (GAO/RCED-99-7, Nov. 20, 1998).

place at 312 sites—100 administered by the Park Service, 77 by the Fish and Wildlife Service, 68 by the Bureau of Land Management, and 67 by the Forest Service. The four agencies reported that, because of the program, their combined recreational fee revenues have nearly doubled, from about \$93 million in fiscal year 1996 (the last year before the demonstration program was implemented) to about \$180 million in fiscal year 1998. The Park Service collected 80 percent of the fee revenue in fiscal year 1998, the Forest Service 15 percent, the Bureau of Land Management 3 percent, and the Fish and Wildlife Service about 2 percent.

Visitation appears largely unaffected by the new and increased fees, according to surveys conducted by the four agencies. In fiscal year 1997, visitation at the demonstration sites increased overall by 5 percent compared with 4 percent at other sites. Effects varied somewhat from location to location. Of the 206 sites in the demonstration program in fiscal year 1997, 58 percent had increases in visitation, 41 percent had decreases, and 1 percent were unchanged. However, with data from only 1 year, it is difficult to draw definitive conclusions, either about the lack of a negative effect on visitation at most sites or about whether fees had an impact at sites where visitation declined.

Now, I would like to discuss several areas in which we think improvements can be made to the demonstration program.

Improving Interagency Coordination

The demonstration program was authorized with the expectation that the four agencies would coordinate their fee collection efforts, both among themselves and with state and local agencies, where it made sense to do so. During our review, we did find examples of such coordination, with demonstrated benefits for the public. In Utah, for example, where the Park Service's Timpanogos Cave National Monument is surrounded by a recreation area in the Forest Service's Uinta National Forest, the two agencies decided to charge a single entrance fee for both. Such coordination can reduce agencies' operating costs, strengthen resource management activities, and provide more agency personnel to assist visitors.

We also found, however, that agencies were not taking full advantage of this flexibility. For example, the Park Service and the Fish and Wildlife Service manage sites with a common border on the same island in Maryland and Virginia. The two sites are Assateague Island National Seashore and Chincoteague National Wildlife Refuge. Administratively, the

two agencies cooperate on law enforcement matters and run a joint permit program for off-road vehicles, and the Park Service provides staff to operate and maintain a ranger station and bathing facilities on refuge land. However, when the agencies selected the two sites for the demonstration program, they decided to charge separate, nonreciprocal entrance fees of \$5 per vehicle. Officials at the refuge told us that visitors are sometimes confused by this lack of reciprocity. Our report discusses other cases in which greater coordination among the agencies would either improve the service to the public or permit greater efficiency in implementing a fee program. These cases included (1) backcountry fees in Olympic National Park and Olympic National Forest in Washington State, and (2) a proposed fee at Park Service and BLM lands located in the El Malpais area of New Mexico.

Demonstration sites may be reluctant to coordinate fees partly because the program's incentives are geared towards increasing their revenues. By contrast, because joint fee arrangements may potentially reduce revenues to specific sites, there may be a disincentive among these sites to coordinate. However, at sites such as Assateague and Chincoteague, the increase in service to the public may be worth a small reduction in revenues. That is why our report recommends that the agencies perform a site-by-site review of their demonstration sites to identify opportunities for greater coordination. In commenting on our report, the agencies generally agreed that more could be done in this area.

Greater Innovation Would Make Fees More Equitable

The demonstration program also encouraged the four agencies to be innovative in setting and collecting their own fees. Such improvements take two main forms: making it as convenient as possible for visitors to pay and making fees more equitable. We found many examples of agencies experimenting with ways to make payment more convenient, including selling entrance passes using machines like automated tellers, selling hiking permits over the Internet, and selling entrance or user permits through vendors such as gas stations, grocery stores, and convenience stores. However, we found fewer examples of the agencies experimenting with different pricing structures that could make the fees more equitable, such as basing fees on (1) the extent of use or (2) whether the visit occurred during a peak visitation period.

Most of the experiments with pricing have been done by the Forest Service or the Bureau of Land Management. These two agencies have experimented with setting fees that vary on the basis of (1) how long the

visitor will stay or (2) whether the visit occurs during a peak period (such as a weekend) or an off-peak period (such as midweek or during the off season). For example, a 3-day visit to a recreational area might cost \$3 per car, compared with \$10 per car for a 2-week visit. Such pricing has resulted in greater equity to the visitors, in that visitors who use the area for greater lengths of time pay higher fees. It would appear to have broader applicability in the other agencies as well.

By contrast, the Park Service has done little to experiment with different pricing structures. Visitors generally pay the same fee whether they are visiting during a peak period (such as a weekend in the summer) or an off-peak period (such as midweek during the winter) or whether they are staying for several hours or several days. A more innovative fee system would make fees more equitable for visitors and might change visitation patterns somewhat to enhance economic efficiency and reduce overcrowding and its effects on parks' resources. Furthermore, according to the four agencies, reducing visitation during peak periods can lower the costs of operating recreation sites by reducing (1) the staff needed to operate a site, (2) the size of facilities, (3) the need for maintenance and future capital investments, and (4) the extent of damage to a site's resources.

Because it was one of the goals of the program, and because it could result in more equitable fees to the public, our report recommends that two agencies—the Park Service and Fish and Wildlife Service—look for further opportunities to experiment and innovate with new and existing fees.

Permitting Greater Flexibility in Allocating Revenues

The demonstration program required the agencies to spend at least 80 percent of the fee revenues at the site where these revenues were generated. However, some demonstration sites are generating so much revenue as to raise questions about their long-term ability to spend these revenues on high-priority items. By contrast, sites outside the demonstration program, as well as demonstration sites that do not collect much in fee revenues, may have high-priority needs that remain unmet. As a result, some of the agencies' highest-priority needs may not be addressed.

For many sites in the demonstration program—particularly in the Park Service—the increased fee revenues equal 20 percent or more of the sites' annual operating budgets. This large amount of new revenue allows such sites to address past unmet needs in maintenance, resource protection,

and visitor services. The Park Service has set a priority on using fee revenues to address its repair and maintenance needs. Some sites with high fee revenues may be able to address these needs within a few years. However, the 80-percent requirement could, over time, preclude the agencies from using fee revenues for more pressing needs at other sites.

Two of the sites we visited—Zion and Shenandoah National Parks—are examples of how this issue may surface in the near future. At Zion, park officials told us that the park expected to receive so much new fee revenue in fiscal year 1998 (about \$4.5 million) that the park's budget would be doubled. The park's current plans call for using this additional money to begin a \$20 million alternative transportation system. However, park officials said that if for some reason this particular project did not move forward, they might have difficulty preparing and implementing enough projects to use the available funds in a manner consistent with the program's objectives. At Shenandoah, fee revenues for fiscal year 1998 were expected to be about \$2.9 million—enough money, the park superintendent said, to eliminate the park's estimated \$15 million repair and maintenance backlog in a few years.

This is a significant and sensitive issue that involves balancing important features of the program. Specifically, the increased efficiency that would be achieved by allowing the agencies more spending flexibility needs to be balanced with the continued need to demonstrate to the visitors that improvements are being made with the new or increased fees and the need to maintain incentives to collect fees. Our report stated that as the Congress decides on the future of the fee demonstration program, it might wish to consider modifying the current requirement. Providing some further flexibility in the spending of fee revenues would give agencies more opportunities to address their highest-priority needs among all of their field units. If this is not done, undesirable inequities could occur within agencies if and when the current legislation is made permanent. At the same time, however, any change in the requirement would need to be done in such a way that (1) fee-collecting sites would continue to have an incentive to collect fees and (2) visitors who pay the fees will continue to support the program. Visitor surveys show that putting fees to work where they are collected is a popular idea.

Park Service Spending Lags Behind Other Agencies

Through the first 2 fiscal years of the program, the Park Service retained about \$182 million in recreational fee revenue, which represents over 80 percent of the total amount of revenue generated by all four of the participating agencies. However, by the end of fiscal year 1998, the agency had obligated only about \$56 million, or about 31 percent, of this revenue.² This spending rate was by far the lowest among the four agencies participating in the program. Specifically, by the end of fiscal year 1998, the Forest Service had spent about 63 percent of its revenues; the Fish and Wildlife Service about 56 percent; and the Bureau of Land Management about 72 percent. (See app. I for more specific revenue and spending information.)

In order to understand why the rate of spending in the Park Service is so far behind the other agencies, we visited four parks. For these parks, the percentages of revenue available to them that was obligated through September 30, 1998, varied from a low of 10 percent at Golden Gate National Recreation Area to a high of 48 percent at Olympic National Park. The other two parks we visited were Rocky Mountain National Park and Grand Canyon National Park, which obligated 41 and 20 percent, respectively. In total, these parks had proposed 101 projects for funding under the demonstration fee program. Projects at the four parks ranged from the planning and construction of major facilities, like a visitor transportation and orientation center at the south rim of the Grand Canyon for \$18 million, to small projects, like the rehabilitation of trail signs in Golden Gate for \$11,000. They also included other projects, like the replacement of outhouses and campground rehabilitation.

Our work indicates that there are two main factors that have contributed to the Park Service's low rate of spending over the program's first 2 years. These factors are that (1) the project review and approval process has delayed the start of construction and maintenance projects and (2) the capacity of the agency to handle the large number of projects planned under the program is limited. The large size of some of the projects being funded by the demonstration fee program also contributes to slowing the agency's spending rate.

²The spending information that is provided by the agencies reflects funds obligated.

Park Service Projects Receive More Scrutiny Than Those of Other Agencies

In 1997, this Subcommittee and others heavily criticized the Park Service because of spending abuses involving an outhouse costing over \$300,000 at one park and employee residences costing over \$500,000 at another. In response to these criticisms, and in order to avoid similar abuses in the future, the Park Service and the Department of the Interior are paying particularly close attention to how individual park units are using the revenues provided by the demonstration fee program.

Park Service headquarters officials review all projects approved by regions before individual parks are permitted to proceed with construction. As of March 1998, the Park Service also required an additional review by top agency officials of all projects costing \$500,000 or more. Furthermore, another level of review was added when Department of the Interior officials decided that they too would review all of the projects that the Park Service proposed for its recreational fee revenue. The implementation of this Departmental-level review added more time to the project approval process. Adding these layers of review specifically for Park Service projects helps explain why the rate of spending for the agency has been the lowest among the agencies participating in the program. However, in light of the spending abuses noted earlier, in our opinion, the additional Park Service and Departmental reviews appear prudent.

In contrast, the projects being done by the other three agencies—the Bureau of Land Management, the Fish and Wildlife Service, and the Forest Service—have not had these additional levels of scrutiny. In those agencies, determining how the fee money will be spent has been left to on-site and regional managers. Not surprisingly, the spending rates for these other agencies have been substantially higher than for the Park Service.

Capacity of the Agency to Handle Large Volume of Projects Limits Spending

Another factor limiting the pace of the Park Service's spending relative to the other agencies in the program has been the agency's ability to handle the large volume of projects that are now in the pipeline. All of the parks we visited have had substantial funding increases in recent years to help them address maintenance and other needs. These increases were due to not only to the increased funding made available from the demonstration fee program but also from appropriated funds such as those for repair and rehabilitation and line item construction projects. This large inflow of funding from a variety of sources has, according to some park managers

we interviewed, exceeded their ability to get projects initiated and completed.

At most of the parks and regional offices we visited, officials said there was a bottleneck of projects that were both approved and funded but waiting to be initiated. For example, Golden Gate National Recreation Area has 14 projects costing about \$4.7 million that have been approved as part of the fee demonstration program. Managers at the site said they have spent little to date on these projects because the current staff cannot prepare plans and manage the large volume of projects now funded. Two of the other parks we visited, Rocky Mountain and Grand Canyon, have similar explanations about why their spending was relatively slow.

Another factor that has some impact on the spending rate for the Park Service is the large scale of some of the projects being undertaken by the agency. Some parks must accumulate a substantial amount of funds before they could proceed with these large projects. For example, while Grand Canyon has very high revenue under the program, over \$20 million annually, it also has some of the largest projects planned, like a new, multimillion-dollar visitor orientation and transportation center. To begin this project, the park has had to set aside millions of dollars during the first years of the program in order to fund the construction contracts for the new facility in later years. Setting funds aside for later use has the effect of lowering the rate of expenditures in the initial years of the program.

Impact of the Fee Program on Park Service Maintenance Needs

Given the substantial increase in funding that the Park Service will receive under the demonstration fee program, now more than ever the agency will have to be accountable for demonstrating its accomplishments in improving the maintenance of Park Service facilities with these additional resources. The agency cannot now do this. The Park Service will need to develop more accurate and reliable information on its deferred maintenance needs (as well as its other park operating needs) and to track progress in addressing them.

In administering its recreational fee demonstration program, the Park Service decided that using the revenue to address its maintenance needs is a high priority. However, during hearings before this Subcommittee last year, we reported that the Park Service did not have a common definition of what should be included in its backlog of maintenance needs and did

not have a routine, systematic process for determining these needs.³ As a result, the agency was unable to provide us with a reliable estimate of its deferred maintenance needs.

At the same hearing, Interior's Assistant Secretary for Policy, Management, and Budget made several commitments to address these problems. The commitments were to (1) establish common definitions for deferred maintenance and other key maintenance and construction terms; (2) develop improved data collection processes for accumulating data about annual and deferred maintenance needs, among other things; (3) provide guidance for preparing a 5-year priority maintenance and construction plan for the fiscal year 2000 budget; and (4) issue instructions for reporting deferred maintenance in agency financial statements.

To date, the Department of the Interior has made some progress in meeting these commitments. In February 1998, common definitions were developed for deferred maintenance. The Department has also provided guidance for the agencies to use to develop priority maintenance plans. In addition, the Department has issued instructions on how agencies should report deferred maintenance in their financial statements. These are all positive steps that should, if implemented properly, help the Park Service as well as other Interior agencies manage their maintenance activities.

Nonetheless, the Park Service still does not have accurate information on its maintenance needs. This is evident from a February 1998 Interior report,⁴ which states, among other things, that the deferred maintenance needs of Interior agencies, including the Park Service, have never been adequately documented. To remedy this situation, Interior and its agencies, including the Park Service, are beginning to develop a maintenance management system that can generate consistent maintenance data for all Interior agencies. Interior expects to identify the systems needed to generate better maintenance data needs by June 1999. However, this is just a first step. Interior and its agencies are also in the process of obtaining better information on the condition of their facilities. Any data improvements resulting from this effort will likely be several years away.

The Congress has attempted to help the Park Service address its deferred maintenance and other program needs in recent years by providing

³National Park Service: Maintenance Backlog Issues (GAO/T-RCED-98-61, Feb. 4, 1998).

⁴Facilities Maintenance Assessment and Recommendations, U.S. Department of the Interior, February 1998, prepared for the Interior Planning, Design and Construction Council.

additional appropriations and revenue from the recreational fee program. Given this substantial increase in funds, the Park Service needs to be held accountable for demonstrating what is being accomplished with these financial resources. To date, however, the agency is not yet able to determine how much these additional funds are helping because it does not know the size of the problem. Accordingly, while we and others have frequently reported on the deteriorating conditions of the agency's facilities, until accurate, reliable and useful data are developed about the size and scope of the agency's maintenance needs, the agency will be unable to determine how much progress is being made to address these needs and resolution of the deferred maintenance problem will continue to elude the agency.

In closing Mr. Chairman, while our testimony today has focused on improvements that could be made to the fee demonstration program, it is important to remember that this program appears to be working well and meeting many of the law's intended objectives. So far, the demonstration program has brought over \$200 million in additional revenue to recreation areas across the country with no apparent impact on visitation patterns. It has created opportunities for the agencies—particularly the Park Service—to address, and in some cases resolve, their past unmet repair and maintenance needs. There are now more than 2 years remaining in this demonstration program. These 2 years represent an opportunity for the agencies to further the program's goals by coordinating their efforts more, developing innovative fee structures, and understanding the reactions of the visitors.

This concludes my statement. I would be happy to answer any questions you or the other Members of the Subcommittee may have.

Total Fee Revenues and Obligations for Four Agencies Through September 30, 1998

Dollars in thousands

Agency	Total revenues	Total obligations	Percent of revenues obligated
Park Service	\$181,217	\$56,116	31
Fish and Wildlife Service	\$3,712	\$2,095	56
Forest Service	\$30,029	\$19,045	63
Bureau of Land Management	\$3,947	\$2,857	72
Total	\$218,905	\$80,113	37

Source: Department of the Interior and the Department of Agriculture.

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