

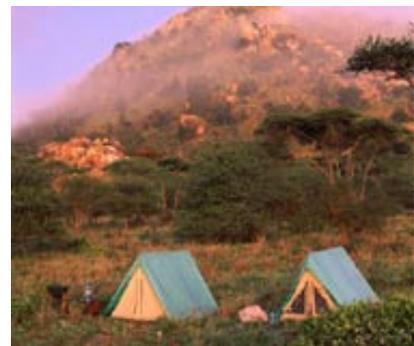


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FUNDING THE NATIONAL PARK SYSTEM: IMPROVING SERVICES AND ACCOUNTABILITY WITH USER FEES

By Adam B. Summers, MA
Project Director: Adrian T. Moore, Ph.D



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Executive Summary

In recent years, at all levels of government, user fees have provided an attractive alternative to general appropriations funding. “User fees,” also known as “impact fees,” differ from general taxes in that they are incurred only by those who benefit from the service provided, while taxes are collected on the entire population (or on particular subgroups, as determined in tax legislation and regulations). User fees ensure that those who use government services are primarily responsible for paying for those services, reducing tax dollars and allowing people more choice over how their money is spent. Since the purpose of the user fee is to ensure that government services are paid for by those who use them, user fees are most appropriate when services are clearly defined and can be directly connected to specific users/consumers. They also prevent the “free-rider” problem of some people using a service for free while others must pay for it whether they use it or not. User fees, furthermore, offer practical benefits including more flexible management and greater financial accountability.

Prompted by years of budget-cutting and the resultant deterioration of park facilities, in 1996 Congress granted the Park Service, Forest Service, Bureau of Land Management (BLM), and Fish and Wildlife Service (FWS)—collectively the “land management agencies”—additional powers to levy and increase user fees. This Recreational Fee Demonstration Program, signed into law as Public Law 104-134, applied to 100 of the nation’s 375 parks. Perhaps more importantly, the enacting legislation guaranteed that a substantial amount of the fees collected—80 percent—was spent within the area that collected them. The “Fee Demo Program” was established as a three-year pilot program and has been extended several times, most recently December 2004 with a 10-year extension.

Since 1996, the National Park Service, Forest Service, Bureau of Land Management, and Fish and Wildlife Service have used the Recreational Fee Demonstration Program to experiment with user fees and obtain

needed funding for recreational site facilities and operations. Congress is considering making the Fee Demonstration Program permanent.

The Fee Demo Program has proven quite successful, allowing the land management agencies to collect over \$1.1 billion in fees from FY 1996 through FY 2003. These fees have been used to complete numerous important projects, including deferred maintenance, trail, campground, and visitors' center improvements, and educational programs. In fiscal year 2002 alone, the Fee Demo Program "allowed the National Park Service to complete 136 deferred maintenance projects, 80 of which related to natural resource protection, and to make some facilities accessible to the handicapped."

Implementation of the Fee Demo Program has not scared off park visitors, either. According to the land management agencies, "Aggregate visitation to recreation sites participating in the Fee Demo Program continues to be unaffected in any significant way by fees." In addition, the program appears to be rather efficient. The average cost of fee collection for Fee Demonstration projects as a percentage of fee revenue for the four land management agencies has remained stable over the past five fiscal years at approximately 20 percent.

Critics of the program point to an equitability issue: that making the national parks self-sufficient could result in increased fees, driving the poor out of the market, making recreation at the nation's parks a pleasure of the rich only. This concern is largely overblown. Why? Because self-sufficient, user-fee parks would be much cheaper to operate. The inherent service-maximization/cost-minimization incentives and the reduction in bureaucracy necessary to administer funds would keep costs much lower than they are at present. Thus, self-sufficient, user-fee parks are already looking more affordable.

Another significant factor generally overlooked by user fee opponents is that it is travel costs—not user fees—that make parks unavailable to the poor (and many others). But what about the attitudes of the poor themselves on this matter? Numerous surveys have shown that the poor strongly support the use of fees, in some cases, more than all other income groups.

Another concern is that to please the public, parks will become "Disneyfied" and commercialized. Perhaps the strongest refutation of the commercialization argument, though, is recognition that market-based user fees provide the strongest incentives to preserve park resources. User fees will prevent overcrowding in the parks and overuse of natural resources; a tax-funded system will not. Self-sustaining parks also have stronger incentives to maintain and replenish natural resources than do tax-funded parks. If tax-funded parks allow facilities to deteriorate or resources to become depleted, they may be bailed out by Congress. Self-sufficient parks have an incentive to ensure that such funding is present, for if they allow the same to happen, they will be punished with a loss of revenue as people visit other parks instead. Park managers know that visitors want pristine wilderness in the parks they visit. Thus, self-sustaining parks are rewarded with higher revenues when they are kept in good condition.

The implementation of user fees alone will not solve all the problems faced by the nation's parks. Park managers must have incentives to collect those fees and use them properly as well. To this end, 100 percent of park revenues collected should be maintained by the park responsible for collecting the fees so that, 1) parks have the greatest incentive to collect fees in an efficient manner, and 2) those funds may be reinvested where the parks' patrons—the park visitors—will actually realize the benefits. In addition, park managers should have the flexibility to change user fees as visitor preferences and economic conditions change.

Changes may be required by the year, by the season, by the week, or even by the day, and regulatory hurdles should not prevent managers from responding accordingly.

The land management agencies responsible for implementing the Fee Demo Program have strongly endorsed it and have called upon Congress to make the program permanent. The agencies lauded the program in their FY 2003 Fee Demo Program “Progress Report to Congress.” In 2004 Congress extended the Fee Demo program again, declining to make it permanent as agencies have requested. There is still good reason to improve the program and move to make national parks more self-sufficient. Structuring the incentives so as to inspire a self-sufficient, market-based approach ensures the future of the National Park System and fosters both greater enjoyment and greater preservation of our nation’s natural wonders.

Part 1

A Primer on User Fees in Recreation

In recent years, at all levels of government, user fees have provided an attractive alternative to general appropriations funding. User fees ensure that those who use government services are primarily responsible for paying for those services, reducing tax dollars and allowing people more choice over how their money is spent.

User fees, furthermore, offer practical benefits including more flexible management and greater financial accountability. States such as Vermont, New Hampshire and Texas have realized significant savings through user fees. Since 1996, the National Park Service, Forest Service, Bureau of Land Management, and Fish and Wildlife Service have used the Recreational Fee Demonstration Program to experiment with user fees and obtain needed funding for recreational site facilities and operations.

A. What Is a User Fee?

A variety of sources fund government services, including income taxes, property taxes, sales taxes, corporate taxes, estate and gift taxes, excise taxes, customs duties, private donations, corporate sponsorships, and user fees. But what issues characterize user fees? When is their use most appropriate? Which current problems in the National Park Service can they specifically target? This brief addresses these issues.

User fees, also known as “impact fees,” differ from general taxes in that they are incurred only by those who benefit from the service provided, while taxes are collected on the entire population (or on particular subgroups, as determined in tax legislation and regulations). For example, if someone wants to go hunting in a public park, he may have to pay a fee for a hunting license. Ideally, the money generated from the license fees is then used to provide services to those paying the license fees. In this scenario, only the hunters (and other park visitors paying fees to use the park) are required to finance the operations of the park, not the entire taxpaying population.

In practice, national parks and the vast majority of state parks cannot directly reinvest all of these user fees in the operations the fees are intended to support, as they must contribute a portion of their user fee revenue to the National Park Service, various state parks and recreation agencies, or general funds. Funding for parks is then generally supplemented with general fund tax receipts. These practices will be discussed in greater detail later.

Another key distinction between a tax and a user fee is that user fees are voluntary—one must choose to use a particular service and agree to pay the cost associated with that service in order to receive it—while taxes are compulsory and collected regardless of whether or not one uses the services provided by the government.

When someone chooses to use a government service and pays for it, he's paying a user fee. Furthermore, what he pays should cover the cost of the service he is receiving; if it goes for something he isn't getting or doesn't want, then he's paying a little of both—a user fee plus a tax. Taxes differ from user fees in that paying them isn't a matter of choice and what you pay is not tied directly to what you're using.¹

User fees finance a wide variety of government services, such as toll roads and bridges, municipal swimming pools, building inspections, waste collection, public facility rentals, recreation center programs, museum admission, zoo admission, and public parks. Public parks collect user fees for activities such as entrance and parking, camping, hiking/backpacking, fishing, hunting, boating (launch fees), recreational equipment rental, going on cave and other tours, and elevator use (at the Statue of Liberty and Washington Monument, for example). The fees are used to fund such things as facilities/infrastructure construction and maintenance, trail upkeep and improvements, educational programs, conservation programs, research projects, policing, lifeguard services, and other park maintenance and operations.

B. When Are User Fees Appropriate?

The Bush administration's FY 2004 budget proposal provided a simple and sound guideline to use when trying to decide when taxes and user fees are most appropriate:

In general, if the benefits accrue broadly to the public, then the program should be financed by taxes paid by the public. In contrast, if the benefits accrue to a limited number of private individuals or organizations, then the program should be financed by charges paid by the private beneficiaries.²

Since the purpose of the user fee is to ensure that government services are paid for by those who use them, user fees are most appropriate when services are clearly defined and can be directly connected to specific users/consumers. “The service must, first of all, have readily identifiable users who must benefit substantially more from the service than nonusers. And second, it must be possible to ensure that nonusers can be excluded from the benefits of the service.”³ This second provision prevents against the “free-rider” problem of some people using a service for free while others must pay for it. Only those who use the park pay for it; those who do not are not forced to subsidize others' use of the park.

In addition, state courts have generally held that user fees are characterized according to the following criteria:

1. The fee charged must provide a direct benefit to a party in exchange for payment in a way not shared by other members of society.
2. The fee must be optional with the party having the option of not using the government service.
3. The charge must compensate the specific government office for the provided service only; the fees received must not be collected with the purpose of raising revenues beyond the cost of the provided service.⁴

C. The History of Fees and the National Park and Forest Systems

The use of fees to maintain the nation's parks predates the creation of the National Park Service in 1916.⁵ When the parks were first created, the transportation infrastructure was still fairly primitive and travel was relatively expensive. The chief means of travel was train or stagecoach. Because of the high cost of getting to the parks, people wished to make the most of their visits and generally stayed for several days. This demand led to the building of private hotels, which paid concessionaire fees to the parks. In fact, the growth of the national park system was greatly influenced by the western railroad companies, which "lobbied for many of the early parks and built grand rustic hotels in them to boost their passenger business."⁶

The growth of automobile travel led parks to begin charging entrance fees. The reasoning was that people who entered the park by car often did not stay in the hotels, which financed the park operations, so they must be forced to pay for their use of the park and its facilities. Moreover, the entrance fees were needed to pay for the construction and maintenance of road systems capable of handling the traffic. Entrance fees were charged, for example, at Mt. Rainier Park beginning in 1908 and at Yellowstone beginning in 1915. Fees at Mt. Rainier Park were initially \$6 per car, while Yellowstone initially charged \$10 per car.

Stephen Mather, who became the first to head the Park Service, predicted that such fees would allow the parks to be self-sustaining. In 1917, however, Congress reduced the parks' ability to use fees to fund their operations when it set entrance fees to all parks at \$2 per car (over \$29 in 2004 dollars). The following year it dealt another blow to self-sufficiency when it required that profits from entrance fees be reverted to the federal treasury, rather than retained by the park of origin. For most of the rest of the 20th century, fee collection policies were inconsistent—at various times fees were collected or not collected—and "there was little correlation between the collection of a park fee and the allocation of money to that location."⁷ In the mid 1970s, the Bureau of Outdoor Recreation conducted a survey of 800 households and public and private recreation managers to evaluate attitudes toward recreational user fees.⁸ The study revealed that a majority of the respondents in all demographic groups supported this type of "pay-as-you-go" recreation.⁹

The experience of the Forest Service is a little different. The Department of Agriculture's Division of Forestry was established in 1881, although the Division's mission in its early days was primarily to provide information and, later, scientific experimentation. In 1891, President Harrison established the first timber land reserve adjacent to Yellowstone National Park and placed it under the authority of the Department of Interior's General Land Office. The Division of Forestry was renamed the Bureau of Forestry in 1901 and headed by Gifford Pinchot. The United States Forest Service was established as a division of the Department of Agriculture in 1905 and control of the national forest reserves was transferred from the General Land Office to the Forest Service, with Pinchot in charge of the agency.

Like Mather, Pinchot believed that the forests did not have to be a drain on the federal treasury, and he even predicted that he could manage them at a profit. In the early days of the Forest Service, however, the mission was somewhat different than that of the Park Service. Like the Park Service, the Forest Service was to ensure that natural resources were preserved. Unlike the Park Service, however, the Forest Service was not initially intended to serve the additional purpose of providing recreation to the public. Instead, the national forests were to support private industries and to be preserved as a natural resource paid for by timber sales and grazing fees. According to a letter from Secretary of Agriculture James Wilson to Pinchot (a letter believed to be drafted by Pinchot himself) dated February 1, 1905, the same day President Theodore Roosevelt signed the act establishing the Forest Service into law,

All the resources of forest reserves are for use, and this use must be brought about in a thoroughly prompt and businesslike manner, under such restrictions only as will insure the permanence of these resources. The vital importance of forest reserves to the great industries of the Western States will be largely increased in the near future by the continued steady advance in settlement and development. The permanence of the resources of the reserves is therefore indispensable to continued prosperity, and the policy of this department for their protection and use will invariably be guided by this fact, always bearing in mind that the conservative use of these resources in no way conflicts with their permanent value. You will see to it that the water, wood, and forage of the reserves are conserved and wisely used for the benefit of the home-builder first of all, upon whom depends the best permanent use of lands and resources alike. The continued prosperity of the agricultural, lumbering, mining, and livestock interests is directly dependent upon a permanent and accessible supply of water, wood, and forage, as well as upon the present and future use of their resources under businesslike regulations, enforced with promptness, effectiveness, and common sense.¹⁰ (Wilson's emphases.)

After the creation of the National Park Service in 1916, the Forest Service began to include recreation as one of the national forests' multiple uses. This was due to the emphasis now being placed on recreational use by the Park Service and, in part, in response to the threat of converting Forest Service land to Park Service land. The Forest Service developed its first campground in 1916 at Eagle Creek on the Oregon side of the Columbia River Gorge on the Mt. Hood National Forest.¹¹ The Forest Service began offering long-term summer cabin leases in the early 1920s.

In 1960, Congress allowed the Forest Service, with the cooperation of state fish and wildlife agencies, to collect license fees for hunting and fishing. Camping fees were permitted beginning in 1964, although the Forest Service was not allowed to retain a significant portion of these receipts until the mid 1980s.

The significance of allowing the federal land management agencies to retain their user fees can be seen in the history of both the National Park Service and the Forest Service. The permission to keep their fees represented a drastic change in the agencies' incentives—and thus their actions:

It is interesting to see how both the Forest Service and the Park Service responded to laws that prevented them from keeping a share of their fees. The Park Service charged concessionaires fees but did not get to keep them. So they negotiated low fees and asked the concessionaires to perform in-kind services, such as maintaining roads or making capital improvements, in lieu of fees. The Forest Service contracted out campgrounds to private operators who collected fees and kept them all except for a small royalty that they paid the Forest Service. When the agencies were allowed to keep their fees, they behaved quite differently, charging more and doing less contracting out.¹²

User Fees and National Parks and Forests Timeline

- 1905 – Gifford Pinchot takes over management of the national forests by becoming the first chief of

D. The Recreational Fee Demonstration Program

A significant change for national park and forest management came in 1996. Prompted by years of budget-cutting and the resultant deterioration of park facilities, Congress granted the Park Service, Forest Service, Bureau of Land Management (BLM), and Fish and Wildlife Service (FWS)—collectively the “land management agencies”—additional powers to levy and increase user fees. This Recreational Fee Demonstration Program, signed into law as Public Law 104-134, applied to 100 of the nation’s 375 parks.¹³ Perhaps more importantly, the enacting legislation guaranteed that a substantial amount of the fees collected—80 percent—was spent within the area that collected them. The “Fee Demo Program” was established as a three-year pilot program and has been extended several times, most recently December 2004 with a 10-year extension.

The Fee Demo Program has proven quite successful, allowing the land management agencies to collect over \$1.1 billion in fees from FY 1996 through FY 2003.¹⁴ These fees have been used to complete numerous important projects, including deferred maintenance, trail, campground, and visitors’ center improvements, and educational programs. The following are some examples of Fee Demonstration Program dollars at work:

- \$473 million for over 2500 projects to reduce the backlog of infrastructure maintenance.
- 346 trails projects totaling over \$7 million including 68 projects designed to provide accessible trails.
- \$228 million in cultural resources projects to rehabilitate historic structures, restore cultural landscapes, and protect museum objects.
- 1,047 projects totaling over \$103 million for visitor orientation and education through visitor center improvements, amphitheaters repair, and replacement of exhibits.
- More than 1,000 projects totaling over \$116 million to repair campgrounds, replace informational signs, and fund backcountry user education.¹⁵

In fiscal year 2002 alone, the Fee Demo Program “allowed the National Park Service to complete 136 deferred maintenance projects, 80 of which related to natural resource protection, and to make some facilities accessible to the handicapped.”¹⁶

Implementation of the Fee Demo Program has not scared off park visitors, either. According to the land management agencies, “Aggregate visitation to recreation sites participating in the Fee Demo Program continues to be unaffected in any significant way by fees.”¹⁷ In addition, the program appears to be rather efficient. The average cost of fee collection for Fee Demonstration projects as a percentage of fee revenue for the four land management agencies has remained stable over the past five fiscal years at approximately 20 percent.¹⁸ Other recent efforts and accomplishments include the following:

- The designation by the National Park Service, Forest Service, Bureau of Land Management, Fish and Wildlife Service, and U.S. Army Corps of Engineers of National Public Lands Day as a fee-free day. Those who volunteer to clear trails, build bridges, plant trees, and assist in other public lands projects on Public Lands Day will be rewarded with a pass good for one free day of admission

during the following year at any site managed by any of the agencies. It is anticipated that Public Lands Day will continue to be a fee-free day in future years.

- Collaboration among the five aforementioned agencies to develop a common visitor reservation system.
- Increased use of automated fee machines and “state-of-the-art” point-of-sales cash register systems.
- Ongoing efforts to reduce fee-layering and minimize fee collections costs.
- Ongoing efforts to improve data collection and analysis in order to improve managerial decision-making. One current National Park Service data collection project, initiated in June, 2003 and scheduled to run through FY 2004, “was designed to obtain information on pass [National Parks Pass] use, gain a greater understanding of pass use, analyze the value of the pass, determine links between pass use and revenue, identify links between pass sales and use (i.e., passes purchased at one park but used at another), analyze visitation patterns, and provide information to decision makers.”¹⁹

The land management agencies responsible for implementing the Fee Demo Program have strongly endorsed it and have called upon Congress to make the program permanent. The agencies lauded the program in their FY 2003 Fee Demo Program “Progress Report to Congress:”

*The Fee Demo Program represents a major innovation in the management of federal recreation activities. Allowing Fee Demo revenues to be retained by the collecting site has strengthened the incentive to collect fees and has enhanced the ability of federal land managers to address high-priority needs at recreation sites. . . . The Departments [Park Service, Forest Service, BLM, and FWS] strongly believe that a permanent recreation fee program that encompasses all of the federal land management agencies is not only desirable, but can be managed in a manner that is sensitive to each agency’s unique mission, lands, and recreation opportunities.*²⁰

Despite the program’s successes, Sen. Craig Thomas (R-WY) has noted that the Park Service alone still has a backlog of approximately \$5 billion in infrastructure repair and maintenance.²¹ (It should be noted, however, that there are incentives for the Park Service to inflate this backlog in order to command more funding from Congress.) Expanding the Fee Demo Program could allow park managers to obtain the funding for high-priority maintenance projects while improving accountability, efficiency, and the decision-making ability of park managers. In this vein, Senator Thomas has introduced legislation—the Recreational Fee Authority Act of 2004—that would make the demonstration program permanent.

Part 2

Advantages of User Fees over Taxes

User fees have many advantages over general appropriations funding, including: 1) greater fairness, 2) greater flexibility for the agency managing operations, 3) greater freedom of choice for consumers over whether or not government services are required or worth the price, 4) better fiscal incentives for management, and 5) the elimination of the free-rider problem.²²

A. Fairness

Perhaps the strongest argument for funding recreational sites with user fees instead of taxes is the fundamental fairness of the system. User fees ensure that those who actually use the parks pay for them, rather than relying on non-users to subsidize their use of the parks through general appropriations funding. As Park Service spokesman David Barma notes, “People who use the parks put a financial burden on them that the rest of us who never get there do not.”²³ Thus, “There is no compelling reason why some citizens should have to pay for services used primarily by others. Those who benefit the most should pay the most.”²⁴ Or, as it has been said, “You pay for what you get, and you get what you pay for.”²⁵

From a practical standpoint, and in consideration of the aforementioned guidelines for imposing user fees, the benefits received by the park visitor can clearly be identified, the park can generally exclude those who do not pay the requisite fees, and the fees collected by the park can (and should) be used only to finance the facilities maintenance and operation of the parks.

There is also a certain fairness about letting the parks use the money they collect to maintain and improve the services they provide to the visitors paying for those services, rather than shuffling the money off to Washington, D.C. For example, under the Fee Demonstration Program, 20 percent of user fee revenues are reserved for use on an agency-wide basis for parks and programs not currently included in the Demonstration Program. While the 80 percent of revenues that the parks of origin are allowed to maintain represents a vast improvement over past fee management—when park managers knew that efforts to collect revenues would likely be wasted as receipts were sent on to the Treasury (and perhaps never returned to the Interior Department)—the parks and their visitors would benefit from increasing this to 100 percent. This would provide park managers the maximum incentive to collect fees and would allow them to reinvest all their revenues “at home” where they know their users will realize the benefits, instead of requiring visitors to support programs that they may or may not deem worthy.

B. Freedom of Choice

The shift from general tax revenue to a voluntary fee system provides park visitors more choice over where their hard-earned dollars are spent and what they get in return. Under a user fee system, people have the freedom to enjoy the recreational services offered by the parks, seek alternative forms of recreation, or simply decide to do without and find other uses for their money.

People increasingly wish to make their own decisions and control their own lives and resources. The substitution of user charges for taxes fits in well with this desire. User charges reduce the government's coerced "take," returning the spending decisions to the citizen.²⁶

C. Flexibility

User fees give park managers more flexibility to adjust revenues and expenditures to meet economic conditions. Fees can be raised or lowered much more quickly and easily than passing an annual appropriations bill passed to address funding requirements. Park managers should have the flexibility to change fees as needed. Federal user fees are kept fairly rigid. According to the text of recent legislation under consideration,

The results of [an analysis of fees by the Secretary of the Interior] together with the Secretary's determination of appropriate fee levels shall be transmitted to the Congress at least three months prior to publication of such fees in the Federal Register. New fees and any increases or decreases in established fees shall be published in the Federal Register and no new fee or change in the amount of fees shall take place until at least 12 months after the date the notice is published in the Federal Register.²⁷

This twelve-month lag in the implementation of new fees renders the price rigidity, in effect, no different from the annual appropriations process! So long as fees are clearly posted, managers should have the ability to change them at any time. When parks are allowed to keep the revenues they generate, managers have an incentive to keep prices at a fair market value to reap the most income. In this way, parks would be afforded the means to be run like private businesses.

For taxpayers, users, other land-management agencies, and private landowners, fair market value is the only fair way to set prices. Fair market value doesn't mean that Congress orders an expensive study to determine the "correct" price for every national park. Instead, it means that each park should explore different prices for various services—concessions, camping, touring, hiking, or whatever. The "right" price will vary from park to park, year to year, and use to use.²⁸

Because this optimal price will vary frequently and change with economic conditions, park managers must have the authority and the flexibility to establish and change fees to meet these conditions. This will lead not only to the most efficient pricing system, but also to the most efficient resource management.

Resources are managed better if agencies can charge fair market value. State park and wildlife agencies that are allowed to set their own fees are in the best financial shape and receive few complaints from users about high fees. Agencies whose fees are regulated by the legislatures tend to be in a state of perpetual crisis and neglect many important parts of their missions.²⁹

D. Better Incentives for Cost Savings, Accountability, and Improved Management

1. Better Information Concerning Park Visitors' Wants and Needs

The reason that state park and wildlife agencies whose fees are regulated by legislatures tend to be “in a state of perpetual crisis” is that the price rigidity imposed by legislatures diminishes the relationship between park user demand and park expenditures. When a fee structure is handed down from above (or when tax revenues are distributed) once a year, there is little room to adjust to user preferences. In a system of truly flexible (i.e., market-based) pricing, people reveal their preferences by how much they are willing to pay for something.

If the demand for, say, camping increased, park managers could maximize revenue by instantly charging higher fees. Park managers may even wish to auction off very high-demand activity permits over the Internet to ensure that the park is capturing revenues appropriate to the true value of the services being provided. (The true value is what people are willing to pay to use a service.) If managers are concerned that this pricing system would result in fees that are prohibitively high for the poor, they could easily set aside a certain percentage of licenses or permits that would be excluded from the auction process and sold at reduced prices on a first-come, first-served basis. This would allow the poor to compete evenly with the rich for park access using their time (arriving early and likely waiting in line) instead of their money.

This demand information is a valuable tool that park managers need in order to make proper management decisions.

2. Better Responsiveness to Park Visitors' Wants and Needs

As the example above illustrates, the aforementioned freedom of choice offered to park visitors by user fees has practical benefits as well. By adopting market-based pricing, park managers are able to learn more information about visitors' wants and needs, and thus are able to make better management decisions. In the example above, note that the park manager's job is not done once he increases fees to take advantage of higher demand for camping. He must now ensure that demand is satisfied, and perhaps even spur additional demand for camping by devoting more resources to campground facilities improvement. As a result, the park increases revenues and visitors receive better services tailored to their desires.

The key is that the park manager would not have known what decisions to make regarding camping facilities—or any other activity or service—if he had not been able to see what services park visitors wanted most. As a Thoreau Institute report affirms, “Fair market value fees will help park managers allocate parks

to competing users—such as rafts versus motorboats on wild rivers—because managers will have an incentive to design a system that makes everyone happy.”³⁰ Thus, user fees, in conjunction with market-based pricing, allow managers not only to obtain better information on the services desired by park visitors, but also to act on this information immediately to make more efficient resource allocation decisions and improve park services.

3. Eliminating Pork-Barrel Spending

Under the current system, cost savings is one of an agency’s last considerations because any money appropriated to the agencies that goes unspent must also be returned to the Treasury.³¹ Even worse, since unspent funds imply that an agency is overfunded, bureaucracies have an incentive to exaggerate or overestimate their costs in order to maintain an environment of fiscal crisis sufficient to justify ever-increasing budgets. Granted, with a \$5 billion maintenance backlog, the issue for the National Park Service is not so much whether funding is needed, but how it is spent.

Still, pork-barrelling abounds. As Richard J. Ansson, Jr., noted in a 1998 article in the *Journal of Land Use & Environmental Law*, “Over the past thirty years, the appropriation of funding for pet congressional parks and construction projects has diminished the Park Service’s ability to adequately care for its parks.”³² Examples of such “political entrepreneurship” abound. Consider the following examples:

- A \$333,000 “state-of-the-art,” “environmentally-friendly” outhouse at the Delaware Gap National Recreation Area in Pennsylvania (“The two-toilet outhouse has a gabled roof made of Vermont slate, a cobblestone foundation built to withstand earthquakes, and porch railings made from quarried Indiana limestone.”);
- A \$1 million outhouse in Glacier Park;
- An \$8 million civic center in Seward, Alaska [population: approximately 4,000]; and
- Numerous new employee housing units in Yosemite at a cost of \$584,000 per unit.³³

Other unrelated political priorities (which would not affect self-sustaining parks) affect park funding as well. Even the war on terrorism has taken a bite out of national park budgets.³⁴ When the nation is put on “Orange Alert,” rangers are reassigned to “high-profile” parks, such as the Statue of Liberty, and parks located by international borders. To pick up the slack, the rangers’ “home parks” must incur significant—and costly—amounts of overtime. This means that \$2 million per month must be diverted from park maintenance to overtime expenses. These funds are not reimbursed by the Department of Homeland Security or any other agencies.

Self-sufficient national parks could realize significant cost savings as the federal level of the bureaucracy would diminish,³⁵ allowing managers to devote more of their valuable time to actually managing parks, and costly “park-barrel” projects contrary to the interests of park users (and even conservationists) would not be forced upon park administrators. The Fee Demonstration Program may be a vast improvement over decades past, but until the national parks become completely self-sufficient, expenditure decisions and other management policies will continue to be based on the preferences of Congress and special interests, not the average park-going member of the public.

4. *Reduced Waste from Improved Public Awareness of Costs*

The average taxpayer in California does not know if his park fee dollars support, for example, a park in Tennessee. When expenditure decisions are determined through the ethereal appropriations process in Congress, the average park visitor hasn't the slightest clue how much is being spent on the parks or if they are "worth" what he is paying. Making park appropriations decisions at the federal level forces park visitors to pay for parks far from where they live, oftentimes for parks that they will never visit. Requiring parks to be self-sufficient, by contrast, not only results in greater management efficiency from local control and the elimination of subsidies to other parks but also guarantees taxpayers that their dollars are being reinvested in the parks they actually use.

Since current park budgets are inflated to support federal layers of bureaucracy and federal needs unrelated to the parks that generate the income (i.e., cross-subsidization, usually politically driven), the true costs of the important things—basic maintenance and operations, preservation and education programs desired *by the public*, etc.—cannot be accurately tracked or contained. What is clear is that it costs significantly less to operate a park that receives all its funding from user fees and private donations, as opposed to one beholden to the political process. Since a self-financing park would have to earn its funding by serving customers, park visitors would realize a high quality of services and facilities at the park they chose to support with their own dollars.

People demand facilities and services sufficient to suit their needs. In a self-sufficient park, it is easier for park visitors to see what they are paying for because "what you see is what you get." Costs are given one of the highest priorities instead of one of the lowest. If funds are wasted, the park will suffer and people will go elsewhere. If they are managed well, it will thrive. Thus, when there is a direct correlation between revenues collected and services provided, costs are much more transparent to the park manager and the visitor alike. This will ensure that costs are kept to a minimum.

E. Elimination of the "Tragedy-of-the-Commons" Problem

Without user fees, and in spite of the tax dollars that go to fund the national parks, people consider the parks "free." Indeed, many advance the idea that all should be encouraged to enjoy the nation's parks. While some hail this as a laudable goal, pricing park services below market prices (i.e., below those determined by supply and demand and below those needed to ensure that revenues meet or exceed costs) encourages overuse of facilities and resources.³⁶ People who would not otherwise use the parks now find it worthwhile to do so because it is "free."

The overcrowding and overuse of facilities and resources caused by such a pricing policy have dire consequences for park facilities and the environment, however. If everyone is allowed to use the parks essentially without having to bear the cost of their use, then no one has an incentive to care for or preserve the park's facilities and natural resources. (Oftentimes, the same people that advocate park access for all complain that overconsumption is destroying natural resources!) After all, how much does one care for something that is free (or costs less than he would otherwise have to pay)? This is known as the "tragedy-of-the-commons" problem.

If used properly (i.e., set to market-based price rates), user fees prevent overcrowding and encourage natural resource preservation by ensuring that people cover the cost of their use of the parks. In fact, the use of recreational fees has resulted in a reduction of litter, vandalism, and crime on public lands.³⁷ Moreover, the aforementioned incentives to provide park visitors with the services they want, coupled with the fact that people will not pay to experience the park's natural resources if there are no natural resources left to experience, will ensure that facilities and resources are preserved indefinitely.

Part 3

User Fee Concerns

A. Affordability for the Poor

One of the chief criticisms made by user fee opponents is that the fees render national parks inaccessible for the poor, and that everyone should have the opportunity to experience “our” natural resources at the nation’s parks. The anti-fee group Free Our Forests contends, “Fee Demo sets a precedent of *classism* where only those who can afford to recreate will be able to do so. Those who can’t afford it will be barred from their own public lands.”³⁸ Laments the Sierra Club, “Fee Demo is a move to make public lands private, which precludes social equity.”³⁹ While it is certainly true that raising park fees sufficient to cover costs might price some people out of the market, such fears are largely overblown.

First of all, as noted previously, self-sufficient, user-fee parks would be much cheaper to operate. The inherent service-maximization/cost-minimization incentives and the reduction in bureaucracy necessary to administer funds would keep costs much lower than they are at present. Thus, self-sufficient, user-fee parks are already looking more affordable.

Even using figures from the current, inefficient system demonstrates that user fees need not be prohibitively high to fully fund park operations:

Fears that fees would reach hundreds of dollars per person are not supported by fact. Yellowstone National Park costs some \$41.7 million to operate and maintain each year, with park officials claiming another \$13.3 million is needed for one-time investments and capital expenditures during the year. This adds up to a total annual cost of \$55 million to run Yellowstone. With three million annual visitors, the Park could charge a lone entrance fee of \$20 per visitor [instead of the current fee of \$20 per car per week]—not the hundreds of dollars per visitor contended by opponents—and still have \$5 million left over each year to tackle its maintenance backlog.⁴⁰

A significant factor generally overlooked by user fee opponents is that travel costs—not user fees—make parks unavailable to the poor (and many others). According to Free Our Forests, I should be able to enjoy “my own public lands.” Now, I would like to visit Shenandoah National Park. While I could surely pony up the \$10 entrance fee to see the sights on Skyline Drive, the flight from Southern California to Virginia makes the excursion unaffordable. Even if the entrance fee increased to a market-based cost, the travel is what makes the trip costly, even for visitors coming from only a few hours’ drive away.

But what about the attitudes of the poor themselves on this matter? Numerous surveys have shown that the poor strongly support the use of fees, in some cases, more than all other income groups:⁴¹

The poor generally support recreation fees and have done so for some time. In the Bureau of Outdoor Recreation's 1976 survey, support for recreation fees was highest among lower-income groups and rural residents (Economics Research Associates, 1976). In a more recent survey by the University of Florida, Pennsylvania State University, and the Pacific Southwest Research Station of the Forest Service, low-income respondents in Oregon and Washington—two of the states with the highest opposition to user fees—approved of the Northwest Forest Pass, which provides access to Forest Service lands for a fee. They did so even though they were more likely to believe they could not afford the fee (USDI and USDA, 2003, p. 54). In More and Stevens' (2000, p. 349) survey of New Hampshire and Vermont residents, low-income residents ranked fees second only to increased voluntary contributions as a means of covering the cost of public lands.⁴²

In addition, the National Park Service Web site boasts of a Park Service visitor survey indicating that 85 percent of respondents were either satisfied with the amount of fees they paid or felt the fees were too low.⁴³

If the aforementioned reforms are not enough to make national park visitation “affordable,” there are still other options to accommodate the poor. The demand for national park services is not constant year-round, or even throughout the week. User-fee parks that use market pricing will have an incentive to reduce fees during times of low demand and increase fees during times of high demand. Thus, “the poor,” or anyone else who wants to save a little money on recreation fees, can save even more by visiting parks during the weekdays or off-peak seasons.

Finally, if all of the above *still* are unable to provide affordable access to the nation's parks, the parks could offer free or discounted passes to the poor. In fact, Section 2(e) of Senator Thomas's proposed Recreational Fee Authority Act of 2004 states: “The Secretary [of the Interior] may provide discounted or free admission days or use.”⁴⁴ Such a program might allow the “sufficiently poor” to apply in advance to show proof of their economic status. Alternatively, it might simply consist of setting aside an allotment of passes each day to distribute on a first-come, first-served basis. This method “would allow those willing to get in line early for tickets to pay with their time rather than dollars.”⁴⁵

B. Double Taxation

One very valid concern, given the current financing structure of the National Park System, is that the use of both taxes and user fees constitutes double taxation. “Why should I have to pay user fees,” one might rightly argue, “if I am already paying taxes to fund the parks?” Why, indeed? As one senate staffer argued, one of the biggest constituent complaints regarding the Fee Demonstration Program is that “[t]here has been no decline in congressional appropriations as a result of Fee Demo.”⁴⁶

While the double taxation argument is often espoused by those opposed to user fees, the argument is best suited to advocates for the elimination of tax funding. Congress should thus eliminate the practice of double taxation by eliminating tax appropriations for national parks and forcing the parks to rely solely on user fees (or other private sources of funds).

C. Corporate Influence: The “Disneyfication” of the National Parks

Another common criticism of user fees is that they encourage the commercialization of parks, which, according to fee opponents, will lead to the destruction of natural resources and the beauty of the parks. Typical is the comment made by Michael Frome in a 2002 *Denver Post* article that the Fee Demonstration Program was promoted by those “eager to share in commercialization, motorizing, and Disneyfying the public lands.”⁴⁷

Yet, the motives and goals of fee opponents and environmentalists must likewise be called into question. Many “commercialization” opponents have their own agendas apart from pleasing the general public:

*Ultimately, the commercialization complaint arises from an overly selective—or biased—application of the idea of commercialization. Many people who oppose commercialization of public recreation do not mind visiting those lands in hiking boots from Vasque, Merrell, and Coleman or sandals by Teva while wearing a Patagonia shirt and Oakley sunglasses and planning to camp in a Northface tent stored away in their REI backpack. Given that much of the recreational experience depends on commercially sold products, why is a Northwest Forest Pass (which can be bought at an outdoors store) seen as inappropriate?*⁴⁸

Opponents of “commercialization” also tend to overstate the amount of park development and commercialization and understate the amount of “untamed wilderness” in the nation. They may wish to take into account the following:

- Less than 5 percent of the nation’s land is developed, and three-quarters of the nation’s population lives on 3.5 percent of its land area.
- Over three-quarters of the states have more than 90 percent of their land in rural uses, including forests, cropland, pasture, wildlife reserves, and parks.
- Acreage in protected wildlife areas and rural parks exceeds urbanized areas by 50 percent.⁴⁹

Furthermore, even parks that do engage in a relatively large amount of “commercialization” do not have to take up much land in order to do so. Indeed, facilities are generally grouped in small, centralized locations, leaving the vast majority of the park undeveloped, to be explored and enjoyed by park visitors. Consider, for example, that “99 percent of the people visiting Yellowstone stay in the developed areas which make up less than 2 percent of the park.”⁵⁰

Perhaps the strongest refutation of the commercialization argument, though, is recognition that market-based user fees provide the strongest incentives to preserve park resources. As mentioned previously, user fees will prevent overcrowding in the parks and overuse of natural resources; a tax-funded system will not. Self-sustaining parks also have stronger incentives to maintain and replenish natural resources than do tax-funded parks. If tax-funded parks allow facilities to deteriorate or resources to become depleted, they may be bailed out by Congress. Self-sufficient parks have an incentive to ensure that such funding is present, for if they allow the same to happen, they will be punished with a loss of revenue as people visit other parks instead. Similarly, self-sustaining parks are rewarded with higher revenues when they are kept in good condition.

Finally, user fees give park managers more of an incentive to continuously seek the balance of nature preservation and commercial comforts that pleases the most people. Managers are well-aware that people come to the parks not for amusement rides, but to enjoy the outdoors. The “comparative advantage” (to borrow from economic jargon) of the national parks is a pristine, outdoor recreational experience that cannot be found in more urban settings. For a park manager to destroy this would be to destroy his “product” and, hence, his livelihood. As J. Bishop Grewell, who wrote a recent research study on user fees for parks, notes, “The advantage all these places [public parklands] have isn’t in becoming Disneyland.”⁵¹ If commercialization goes too far and offends people, they will not visit the park and revenues will drop. Parks would then respond by cutting back commercial activity to woo back visitors, or diversify as does a marketplace, offering more commercial services where they will succeed financially, and offering a more rustic environment where demand is high for it.

Some parks, particularly very popular parks such as Yellowstone, will tend to be more commercialized and cater to people who demand many services and accoutrements. Others will appeal to those seeking the “rugged outdoors” and will show no signs of commercialization. Put simply, there is no single “ideal” park mold, despite the efforts of a top-down bureaucracy to make it so. Such variety offers park visitors many choices and people will be able to vote their preferences with their feet—and dollars.

Part 4

Case Studies

A. Vermont

State parks have been self-sustaining in Vermont since 1993. As recently as 13 years prior, nearly 40 percent of the park system’s operating budget came from general funds—a dramatic change. The parks sustained themselves through increased fees, downsizing, and marketing efforts. In addition, concessions from state-owned ski areas now provide nearly half of the parks’ operating budget. While the ski areas are managed by the state, they are quite profitable and operate similar to private enterprises. A portion of all park revenues is set aside in a sort of “rainy-day” fund for emergency maintenance and periods of poor weather.

B. New Hampshire

In 1991, New Hampshire passed a law requiring all of the state’s parks to be self-sustaining. By using a variety of pricing strategies, cutting costs, and entering into corporate sponsorships to obtain additional funding for educational programs, the state’s park system quickly was able to generate enough revenue to cover its entire operating budget of nearly \$5 million—and even pay for some capital investments.

One cost-cutting measure adopted by the parks was the virtual elimination of garbage collection services. Instead of paying park employees to collect the trash, the parks simply give trash bags to visitors and ask them to pack out their own garbage. The policy has worked surprisingly well. In fact, “[i]t turned out that this resulted in cleaner parks than before since there were no unsightly piles of trash around garbage barrels.”⁵²

After 13 years of self-sufficiency, New Hampshire’s parks are still in solid financial shape.

New Hampshire Requires State Parks to be Self-Supporting

At least sixteen state park systems now obtain half or more of their annual operating budget from user fees collected from visitors. After a 1991 law required the park system to become a self-supporting entity, New Hampshire went the distance and now derives all of its \$5 million operating budget from user fees.

New Hampshire's parks, which attract over a million visitors per year to their 75,000 acres, quickly set about making changes that would aid the bottom line but not drive away visitors or harm the environment. To begin, the parks started charging different prices to reflect the differing quality of the parks and differing demands for certain amenities. For example, the most popular campsites with the best characteristics have slightly higher fees (prices range from \$12 to \$35). And entrance fees to the park were changed from a per vehicle basis to a per person basis, with seniors and children entering for free.

In addition to allowing the parks to raise fees, the legislation also took the key step of letting the parks keep excess funds that were not used. Typical park systems often require funds not used to be returned to the state budget. The "use-it-or-lose-it" attitude that results from this type of system encourages wasteful spending. In New Hampshire, however, the incentives are different, and park managers have an impetus to spend their money wisely knowing that it will not be taken away by hungry political interests.

The system also took other creative approaches to meet its budgetary needs. It entered into a partnership with PepsiCo—and later Coca-Cola, Inc.—to fund educational and awareness programs for the parks. The innovations in the New Hampshire park system have been so successful that the system covers its budget for operations and even manages to meet some of the parks' capital improvement needs as well. Other parks and park systems also show the benefits of entrepreneurial management. The most striking example of the importance of self-sufficiency can be seen by comparing adjacent state and federal parks.

– From Matthew Brown and Holly Lippke Fretwell, "State-Based Environmentalism: Green Places and Open Spaces," Political Economy Research Center, 2001, pp. 3-4, http://www.perc.org/pdf/guide_lands.pdf.

C. Texas

Texas State parks took a different approach to moving toward self-sufficiency when, in 1991, the state legislature directed the Texas Parks and Wildlife Department (TPWD) to become self-supporting and announced that general funds, which funded half of the department's operating budget, were going to be cut off by 1994. Faced with this drastic loss of funding from the state and the prospect of closing a number of parks, the TPWD developed the entrepreneurial budgeting system (EBS) to encourage park managers to cut costs and increase revenues. The EBS offers the managers incentive contracts that establish performance goals. Managers that beat spending-limit goals, for example, are allowed to carry a portion of the unspent funds over to the following year. The program was initially tried in a few select parks and was so successful that soon most other parks were clamoring to join in. As a result, the TPWD did not have to close a single park. The parks no longer receive any general funds from the state, although they do receive some money from a tax collected on sporting goods.⁵³

Texas's Entrepreneurial Budgeting System: An Innovation in Park Management

EBS is an innovative, incentive-based financing system that encourages and even challenges managers of individual parks to find new ways of raising revenue and saving money, while still protecting park amenities. At the heart of the EBS is the performance agreement. It is in essence a contract between the park manager and TPWD officials to meet certain goals. The park manager pledges to meet a spending goal for the upcoming year and raise revenue equal to the previous year's revenue plus a small increase of .5 to 3 percent. If a park manager spends less than the designated amount, department officials pledge to reward the manager by returning all the cost savings to the park's budget the following year in the form of an enhancement—not an offset to the park's budget. Before the EBS, there was little incentive to save money because of the so-called "use it or lose it" principle. If all the money from the yearly budget was not spent, it was a clear indication that the park did not really need all the money it had been appropriated. Hence next year's budget was reduced.

On the revenue side, if a park manager surpasses the revenue target stipulated in the performance agreement, then department officials pledge to return as much as 35 percent of the surplus as an enhancement to the park budget the following year. Importantly, the park manager is free to spend the money as he or she sees fit for park improvements. Of the remaining surplus, 25 percent goes into a seed fund that assists other parks initiate their own EBS, and 40 percent goes to park units that may never be self-supporting. In this way, the EBS creates a safety net for parks that are valued ecologically, but never attract a lot of visitors.

The EBS program introduced park managers to the type of business planning and risk taking not commonly found in the public sector. For the first time, a park's budget could actually be reduced if the park manager failed to meet the spending and revenue goals set out in the performance agreement. Because of the new criteria set by EBS, park managers were given the option of participating. In 1994, the first full year of EBS operation, forty-two pilot parks entered the program. The following year, fifty-three more parks joined. Despite initial trepidations, park managers are assuming the risks and seeking the advantages offered through EBS.

– From Donald R. Leal and Holly Lippke Fretwell, *Parks in Transition: A Look at State Parks*, Research Study 97-1. Bozeman, MT: Political Economy Research Center, 1997, <http://www.perc.org/publications/research/stateparks.php?s=2>.

Part 5

Recommendations

The mere implementation of user fees alone will not solve the aforementioned problems, however. Park managers must have incentives to collect and use them properly as well. To this end, 100 percent of park revenues collected should be maintained by the park responsible for collecting the fees so that, 1) parks have the greatest incentive to collect fees in an efficient manner, and 2) those funds may be reinvested where the parks' patrons, the park visitors, will actually realize the benefits. In addition, park managers should have the flexibility to change user fees as visitor preferences and economic conditions change. Changes may be required by the year, by the season, by the week, or even by the day, and regulatory hurdles should not prevent managers from responding accordingly.

As the experiences of state park systems have shown, the benefits of recreational user fees and park self-sufficiency are not merely theoretical. Legislation currently before Congress to make national parks more self-sufficient represents a solid step in the right direction. Structuring the incentives so as to inspire a self-sufficient, market-based approach ensures the future of the National Park System and fosters both greater enjoyment and greater preservation of our nation's natural wonders.

About the Author

Adam B. Summers is a policy analyst at Reason Foundation. He has written extensively on privatization, government reform, law and economics, and various other political and economic topics. His articles and studies have been published by Reason Foundation, *Los Angeles Times*, *San Diego Union-Tribune*, *Orange County Register*, *Los Angeles Daily News*, The Foundation for Economic Education (*The Freeman: Ideas on Liberty*), Ludwig von Mises Institute, American Institute for Economic Research, Maryland Public Policy Institute, and Pioneer Institute for Public Policy Research, among others. He holds a Master of Arts degree in economics from George Mason University and Bachelor of Arts degrees in economics and political science from the University of California, Los Angeles.

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Endnotes

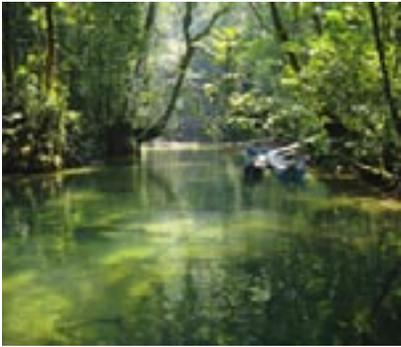
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 - ⁸ Economics Research Associates, *Evaluation of Public Willingness of Outdoor Recreation Areas and Facilities*, Document 024-016-00087-1, 1976, prepared for U.S. Department of the Interior, Bureau of Outdoor Recreation, Washington, D.C.
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 - ¹² Personal correspondence, July 19, 2004.

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- ¹⁴ U.S. Department of the Interior and U.S. Department of Agriculture, *Recreational Fee Demonstration Program, Progress Report to Congress, Fiscal Year 2003* (Washington, D.C.: National Park Service, U.S. Fish and Wildlife Service, Bureau of Land Management, and Forest Service, May 2004), p. 7, http://www.doi.gov/nrl/Recfees/fy_03.pdf.
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- ¹⁸ *Ibid.*, p. 14.
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- ³¹ One positive aspect of the Fee Demo Program, in contrast to land management agencies’ general appropriations, is that revenues from Fee Demo sites may be carried over from year to year (assuming that Congress does not change the rules, that is).
- ³² Richard J. Ansson, Jr., “Our National Parks—Overcrowded, Underfunded, and Besieged With a Myriad of Vexing Problems: How Can We Best Fund Our Imperiled National Park System?” *Journal of Land Use & Environmental Law*, Vol. 14, No. 1, Fall 1998, <http://www.law.fsu.edu/journals/landuse/Vol141/anss.htm>.
- ³³ *Ibid.* Employee housing has become a considerable cost issue for the Park Service. Testimony given to the House Committee on Appropriations, Subcommittee on Interior and Related Agencies, in 1998 by Barry T. Hill of the General Accounting Office noted, for example, that the Park Service provides a housing unit for approximately one out of every five employees, while the Forest Service provides one

unit per 11 employees and the Bureau of Land Management (BLM) provides only one unit per 58 employees. In addition, the greater percentage of housing construction devoted to single-family and multiplex units built by the Park Service has led to maintenance and replacement costs three times or more times those for the Forest Service and BLM. See the text of Hill's testimony online at <http://www.gao.gov/archive/1998/rc98035t.pdf>.

- ³⁴ Rosemary, Winters, "Park service guts budget to fight terrorism," *High Country News*, June 9, 2003, http://www.hcn.org/servlets/hcn.Article?article_id=14015.
- ³⁵ As the Thoreau Institute report *Tarnished Jewels: The Case for Reforming the Park Service* (available online at <http://www.ti.org/park.html>) notes, "When the Park Service is funded from tax dollars, it is no surprise that the park office with the most number of employees is not Yellowstone or Yosemite, but the national office in Washington, D.C. A user-fee funded park system would have no national office and no regional offices. Individual parks would be free to share services with other nearby parks as they see fit."
- ³⁶ The same is true of a user fee-tax hybrid funding system such as the one in use today, only to a slightly lesser degree, since fees will prevent some of this overcrowding.
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- ⁴⁴ Congressional Record, p. S6988, May 22, 2003, <http://www.thomas.loc.gov>.
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Reason Foundation
3415 S. Sepulveda Blvd., Suite 400
Los Angeles, CA 90034
310/391-2245
310/391-4395 (fax)
www.rppi.org