



Funding the National Park System: Improving Services and Accountability with User Fees

By Adam B. Summers

In recent years, at all levels of government, user fees have provided an attractive alternative to general appropriations funding. 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.

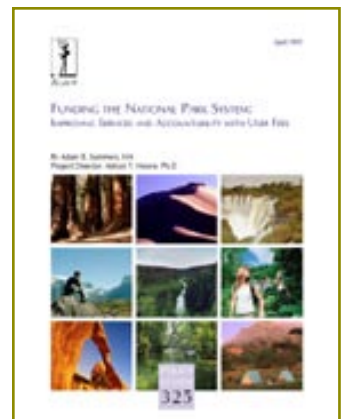
User fees, also known as “impact fees,” differ from general taxes in that they are incurred only by those who benefit from the service provided, while taxes are collected on the entire population (or on particular subgroups, as determined in tax legislation and regulations). For example, if someone wants 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. 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 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:

This is a summary of *Funding the National Park System: Improving Services and Accountability with User Fees*, by Adam B. Summers, www.rppi.org/ps325.pdf



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.

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. Nonusers must be precluded from using or benefiting by the service as well. This second provision prevents against the “free-rider” problem of some people using a service for free while others must pay for it.

THE RECREATIONAL FEE DEMONSTRATION PROGRAM

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. 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. 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.

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.

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.

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. In this way the financial burden of the parks is borne by those who use them. They get what they pay for and they pay for what they get. It is also more fair to let 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.

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. This enables the park visitor to vote with his feet and also communicates market demand to the park manager.

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, rather than following the federal standard of keeping user fees rigid. This will



lead not only to the most efficient pricing system, but also to the most efficient resource management.

D. Better Incentives for Cost Savings, Accountability, Responsiveness to Visitors' Wants and Improved Management

1. Responding to Visitors' Wants and Improving Management

The reason that state park and wildlife agencies whose fees are regulated by legislatures tend to be in a state of perpetual financial 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.

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.

2. 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. 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, and 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." Examples of such "political entrepreneurship" include:

- 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.

Self-sufficient national parks could realize significant cost savings as the federal level of the bureaucracy would diminish, allowing managers to devote more of their valuable time to actually managing parks, and costly "pork-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.

3. Reducing Waste through Improved Public Awareness of Costs

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. (Oftentimes, the same people that advocate park access for all complain that overconsumption is destroying natural resources!) 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. 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. 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.

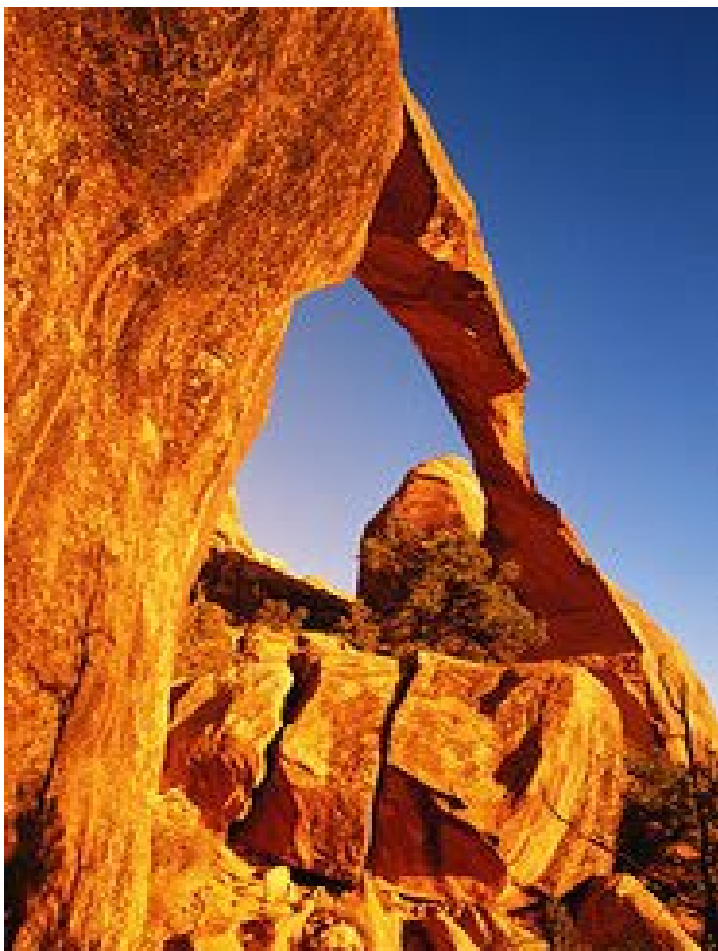
CASE STUDIES

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

B. Vermont

State parks have similarly 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.

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.

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 AUTHORS

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.

RELATED STUDIES

Removing Muck with Markets: A Case Study on Pollutant Trading for Cleaner Water, Michael De Alessi, Reason Foundation Policy Brief No. 24, August 2003, <http://www.rppi.org/pb24.pdf>

"Pay-as-you-throw" Waste Management, Lisa Skumatz and Kenneth Green, Reason Foundation Policy Study No. 295, July 2002, <http://www.rppi.org/ps295.pdf>

Managing for Performance at the EPA, Carl DeMaio, Reason Foundation Policy Study, January 2001, <http://www.rppi.org/epatrans.html>



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