



Executive Summary

The Colorado Division of Parks and Outdoor Recreation (State Parks) and the Colorado Department of Natural Resources (DNR) submitted this report in response to Footnote #100 in the FY 2006-07 Long Bill (House Bill 06-1385). Given pending State Parks budget issues and constraints, as well as long-term agency funding considerations, the opportunity to answer questions posed in Footnote #100 was very timely. In particular, State Parks was asked to discuss any long-term plans regarding the feasibility of seeking enterprise status and examine plans to generate additional cash revenues and increase self-sufficiency. This information was also to be described within the context of how these plans might affect State Parks ability to meet its statutory goals. Based on language in the footnote, State Parks has organized the full report into the three sections described below:

CURRENT COST ALLOCATION

The first section includes detailed cost allocation information for each state park and highlights the fact that only three of Colorado's 43 state parks are currently "self-sufficient". All three of these "self-sufficient" parks are located on the Front Range and offer water-based recreation.

ENTERPRISE STATUS NOT RECOMMENDED

The second section includes a detailed discussion of State Parks' long-term plans regarding the feasibility of seeking enterprise status. *At this time, State Parks neither recommends nor desires to seek enterprise status.* The agency will, however, continue to analyze the risk and potential benefits of seeking enterprise status in FY 2010-11 when Referendum C expires. Additionally, the State Parks will continue to apply appropriate business practices and strive to be as self-sufficient as possible.

To qualify as an enterprise under TABOR, no more than 10 percent of the Division's annual revenues may come from Colorado State and local governments combined. In the most recent fiscal year (FY 05-06) State Parks received 8.2 percent of its revenues from the General Fund and HUTF. Thus, no General Fund reduction would be needed for State Parks to qualify as an enterprise. In fact, any further reductions in General Fund may negatively affect the agency in one of the following ways: 1) a reduction in FTE and associated customer service; 2) a reduction in available cash fund reserves; 3) elimination or cuts to important statewide programs that do not generate revenue; 4) complete or partial closure of parks with low self-sufficiency; and 5) raising fees to a level that may be unaffordable to some or many Coloradoans. Because of these potential negative impacts, enterprising State Parks should not be used as a vehicle for reducing the Division's General Fund support. Given the potential consequences, State Parks would not support enterprise status if it requires a significant General Fund reduction to achieve the 10 percent enterprise threshold.

Revenue volatility, almost entirely outside the Division's control, represents the biggest single challenge to implementing enterprise status for State Parks. If State Parks were designated an enterprise, unanticipated revenue fluctuations in any given year could cause the agency to unintentionally float in and out of enterprise status. Although temporarily floating out of enterprise status would not inevitably hurt the State's TABOR situation, potential exposure of the State budget to this risk (and exposing State Parks to potential criticism for unintentionally drifting in and out of enterprise status) is worth weighing against the potential merits of designating State Parks as an enterprise.

The primary benefit for State Parks to become an enterprise would be relief from the revenue constraints imposed by TABOR. Enterprise status would allow issues affecting State Parks' revenue stream to be considered solely on their merits, free of complicating factors imposed by TABOR. However, the passage of Referendum C removed any compelling reason for State Parks to seek enterprise status prior to FY 2010-11.



Jackson Lake State Park



James M. Robb - Colorado River State Park



Arkansas Headwaters Recreation Area

GENERAL FUND SUPPORT IS CRITICAL

The third section explores State Parks plans to continue generating additional cash revenues and increase self-sufficiency, and how such plans will affect State Parks' ability to meet statutory goals.

The State of Colorado has made a significant long-term investment in building and operating a public park system and providing statewide outdoor recreation programs. The responsibility to continue to finance and provide quality parks and programs for another 50 years lies squarely on the shoulders of our state government and our residents. State Parks has fundamental financial requirements that are extensive and multifaceted and must be addressed through a combination of General Fund and cash funds. These requirements include:

1. Increased Salaries and Operating - As with almost all state programs, the cost of operating State Parks increases each year due to inflation;
2. Adequate Staffing Levels -- Staffing levels remain inadequate to effectively support visitor expectations, operate cash-generating venues, and maintain quality facilities and services;
3. Effectively address State Parks' extensive backlog of deferred maintenance projects; and
4. Protect the Division from revenue fluctuations and adverse natural conditions, by setting aside additional revenue to build an adequate emergency reserve.

One means of dealing with this financial challenge is with incremental increases in fees as outlined in the market assessment study produced by PriceWaterhouseCoopers. Cash generating efforts such as this, supplement State Parks' ability to meet this challenge, but alone will never be enough to meet the demands of this system of parks. Furthermore, most State Parks fees have already been incrementally increased within the past several years.

The challenges to finance the park system will be further intensified if cash funds are used to refinance General Fund. State Parks will simply lose the ability to offer safe, quality outdoor recreation opportunities to Coloradoans. In contrast, a combination of continued or increased General Fund along with a growing amount of cash will allow:

1. Colorado to operate State Parks which provide a number of benefits to Coloradoans even though the parks are not self-sufficient;
2. State Parks to grow or maintain the existing system, in light of growing operating and deferred maintenance costs;
3. State Parks to operate programs that earn little or no revenue but provide distinct public benefits;
4. State Parks to keep user fees at a level that make parks affordable to the average Coloradoan.

Colorado's state parks provide diverse outdoor recreation opportunities to all Coloradoans, protect scenic, natural and cultural resources for future generations, and provide significant economic benefits to local economies. Coloradoans and their families have historically relied on our park system and programs as a way to interact with the natural world and to renew their spirit. A look at the agency's statutory mission supports this. State Parks' exceptional park settings, outdoor recreational opportunities and programs were not developed to solely generate revenue. Acquiring, building and operating these public treasures will require ongoing financial support.



Mancos State Park



Lory State Park



Yampa State Park

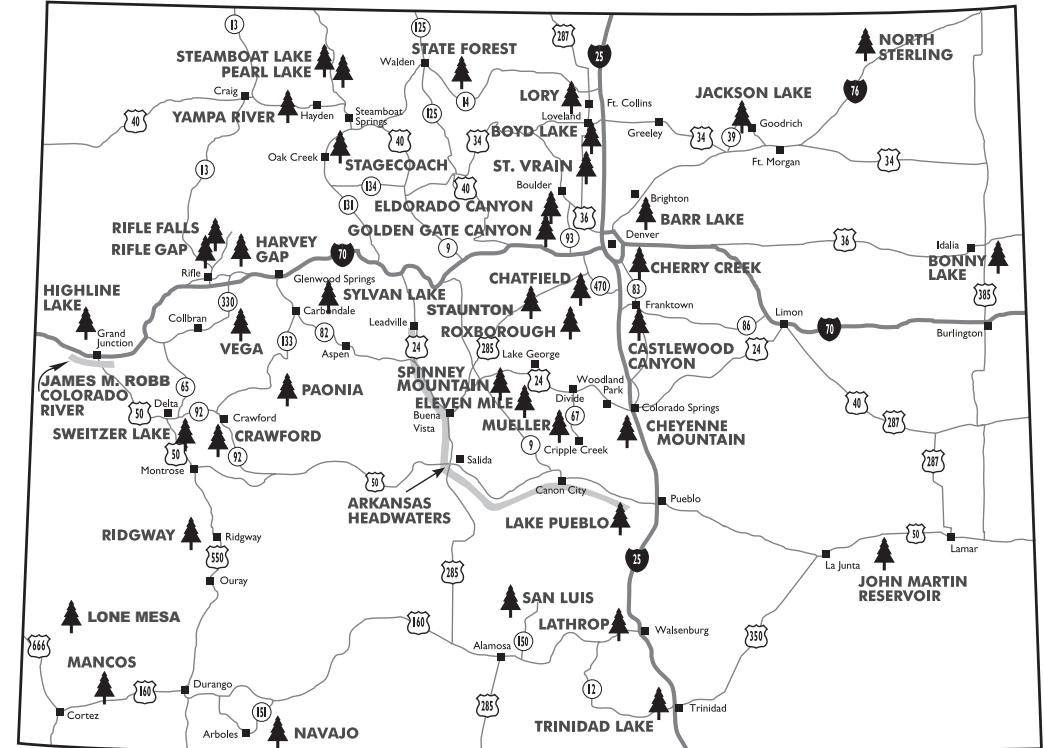


Colorado State Parks

The agency is proud of strides it has made over recent years to increase its financial self-sufficiency. Through aggressive efforts to increase revenue, State Parks is one of the most financially self-sufficient park systems in the country. The Division and Department, however, are very concerned about over-reliance on fee-generated revenue and the misconception that State Parks can continue to offer a quality system into the future by simply increasing existing fees or charging new ones.

Given State Parks' finances and resource needs, and despite the agency's success in generating additional fee revenue over recent years, significant General Fund support is critical to the continued operation of a quality park system.

Colorado State Parks

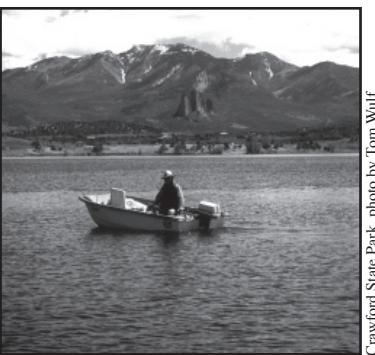


For a complete copy of this report titled, *Colorado State Parks Financial Future*, please go to www.parks.state.co.us. You will find this report in the Media Room under Publications and listed under General Information.



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Crawford State Park, photo by Tom Wulf.



Boyd Lake State Park



Mueller State Park



Bonny Lake State Park



Vega State Park



Barr Lake State Park



Colorado State Parks

Colorado State Parks' Financial Future

Executive Summary

Prepared by the Colorado Department of Natural Resources
and the Colorado Division of Parks and Outdoor Recreation

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