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Taking State Parks off the State's Books

By Leonard C. Gilroy

4/15/2010 – The Commission on Government Reform and Restructuring—established under executive order by Gov. Bob McDonnell—will soon begin the important work of identifying opportunities to streamline, consolidate, privatize or eliminate inefficient or unnecessary services, programs and authorities in Virginia state government. Virginia State Parks should be among the many state services and agencies the Commission ultimately puts under the microscope.

A proposal to shutter five parks earlier this year was scuttled amid budget negotiations, but it's likely that the fiscal pressures on state parks will persist into the future. In the grand scheme, parks are an amenity that generally falls lower on the state's priority list than education, health care and corrections, for instance. Hence, parks often become political footballs in fights over spending reductions, which tends to result in parks being left alive but far from fiscally healthy or properly maintained.

However, a recent proposal in Arizona to lease state parks to private concessionaires offers a restructuring model the Commission should consider as it contemplates solutions to ensure the long-term fiscal sustainability of state parks.

One of the largest national recreation concessionaires, Recreation Resource Management, recently offered to lease six Arizona state parks targeted for closure amid recent budget cuts. They proposed to collect the same visitor fees the state charges today, while taking the operations and maintenance costs of these parks off the state's books entirely. Further, the concessionaire would pay the state an annual lease payment based on a percentage of the fees collected. The state would retain full ownership of the land, and the company would be subject to strict state controls on operations, visitor fees, maintenance and other key issues.

In essence, the private sector is offering to take over the operations and management of cash-strapped Arizona state parks, keeping them open at no cost to the state. And there's no reason this same model could not be applied elsewhere—in fact, it already is.

The term "concession" can mean different things and needs clarification. A ubiquitous type of parks-related concession might involve having a private company run a retail store, food or equipment rental operation within a government park. For example, private concessionaires currently operate the commercial activities (e.g., lodging, retail, food) in the "crown jewels" of the national parks, including the Grand Canyon, Yosemite and Yellowstone. However, this is a more limited type of concession than discussed above.

In the "whole park" context, a concession would essentially be a long-term (10-20 year) lease of the entire operation of a park (or group of parks) under a performance-based contract with a private recreation management company. Agencies such as the U.S. Forest Service, Tennessee Valley Authority, California State Parks and the Lower Colorado River Authority have made extensive use of concessionaires to operate and maintain complete parks and campgrounds. During the famous federal government shutdown during the Clinton administration, the only federal recreation facilities that remained open were those run by concessionaires under leases.

Contracts are usually structured as commercial leases in which the concessionaire collects the gate fees to fund their operations and maintenance costs, including labor. No public subsidies are required—in fact, the concessionaire pays a set percentage of the gate revenues to the public agency as an annual lease payment. Concessionaires can simultaneously increase the net revenue to the government and realize their own profits given that they can tap a lower cost, more flexible labor force and realize significant economies of scale in procurement. California State Parks has even entered into concessions that require the private operator to finance, construct and run new and costly cabins and campground facilities that the state could not otherwise afford to build on its own.

Concessionaires are only allowed to do what the public sector allows them to under the contract, and they cannot change fees, facilities and operating policies and procedures without approval from the parks organization. The public authority sets the recreation or preservation mission for the park, and the contract requires concessionaires to manage the park to that mission. If that means "disturb nothing, build nothing, just run clean facilities," so be it. And fears of concessionaires "cherrypicking" the profitable parks are unfounded, as it is common practice for authorities like the Forest Service to bundle together money-losing parks alongside break-even or revenue-positive parks in concession agreements.

For cash-strapped states, concessions offer the opportunity to turn money-losing parks into revenue generating assets that can be leveraged to help keep other parks open and thriving. And the idea seems right at home in Virginia, a state that has for decades embraced the concept of public-private partnerships and privatization to deliver new highway capacity, mental health facilities, prisons and other vital public infrastructure.

It's for all of these reasons that parks concessions seem like a no-brainer to consider as a viable and positive alternative to budget cuts, park closures, tax hikes and other sub-optimal policy choices. Even if policymakers believe that it is a core function of government to provide public recreation land and facilities, it does not then follow that government has to be the one to *operate* those facilities. The federal public land authorities have realized this, and it's time for states to follow suit.

When it gets underway the Governor's Commission should ask, is there anything inherently governmental about collecting gate and camping fees, selling firewood to campers and cleaning restrooms in state parks? If it agrees that the answer is "no," then it should explore the opportunity to let private operators perform these functions, taking parks off the state books while paying the state for the privilege to do so.

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