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Daniel W. Hancock, Chairman
Little Hoover Commission
925 L Street, Suite 805
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Dear Chairman Hancock and Members of the Commission:

Last week the *Wall Street Journal* reported that the California Department of Recreation and Parks (DPR) is taking the unprecedented action of signing agreements with private corporations to take over operations of four state parks. At least three of those agreements will be signed by American Land and Leisure Company, a Utah-based company that operates campgrounds in 12 states.

DPR spokespersons say these agreements are necessary to prevent park closures. Over the last 10 years State Parks have received less and less from the General Fund, while deferred maintenance bills add up to an estimated \$1.3 billion. Yes, California State Parks are facing a crisis, but the correct alternative is not to close parks. Savings from closing parks are illusory because of hidden costs of vandalism, theft, facility deterioration and environmental degradation – and loss of revenues from both the parks themselves and tax revenues from local communities. However, the threat of closures does create a situation where what was once unthinkable – turning cherished public assets into private for-profit ventures – becomes thinkable.

I am not here today to argue against the merits of privatizing state parks, which I know that many of my colleagues support, but to discuss with the Commission the importance of a policy debate and the very faulty process that has brought us to this place where the Department of Recreation and Parks has decided to seek entire park privatization on a large scale. The Department has issued Requests for Proposal for 21 parks and four have been accepted that will allow privatization of public parks without a single hearing devoted to the issue in the legislature or before the State Parks and Recreation Commission or public involvement of any kind.

On February 1, 2012, the Department of Parks and Recreation went before the Public Works Board (PWB) to request approval to circulate a Request for Proposals from private businesses for concessions at 11 state parks, including Brannon Island SRA, Woodson Bridge SRA and Turlock Lake SRA. I serve as a legislative advisory member to the PWB. In a letter to the PRB, I voiced my concern that for-profit concession agreements would be bundled to cover several parks, thereby competing with non-profit groups, who had been authorized by AB 42 to sign operating agreements. At the February 1 meeting, prior to the PWB vote which approved the Request for Proposal, Michael Harris, DPR's Chief Acting Deputy Director, clearly stated to the Board as reflected in the board's minutes, that DPR would not issue an RPF for a concession to operate an entire state park.

In my opinion, Mr. Harris was carefully and misleadingly parsing his words. When the Request for Proposal for the first three of eleven state parks was released, it stated in Section 1.3, that at a minimum, the successful proposal will include (among other things) provisions for operation of the campground, day use and recreational facilities; establishing and collecting day use and campground fees; provision of services; maintaining facilities, premises, roads, trails, furnishings and equipment, and paying all taxes and utility services. Concessionaires would also be responsible for developing an operations plan, which according to Section II (A) of the RFP should address visitor services, security, maintenance and housekeeping, natural and cultural resource management, waste management, interpretation and education. Few, if any park services, were not included in the RFP.

When I wrote to Director Coleman about the discrepancy between the testimony of Mr. Harris at the PWB hearing and the language in the RFPs, her response was to deny that DPR was privatizing an entire park, because the state kept ownership of the land, was responsible for resource management, and the RFP was clearly titled "Camping and Day Use Concession." However, in the real world, when every function of the park is under the day-to-day control of a private operator who intends to make a profit out of running the park, most of us would agree that the park had been privatized or as the *Wall Street Journal* stated, placed "under private management."

The Public Works Board at least offered some minimal opportunity for public discussion. Yet DPR failed to bring their next ten RFPs before the Board for approval. When my staff inquired why the new RFP was not brought to the Board, the response was that Public Resource Code 5080.40 (c)(3) specifies that RFPs do not require legislative and PWB approval if the agreement's impact to the unit, including concession revenue, will not exceed \$500,000 in annual gross revenue generated by the property. The PWB said that DPR had informed them that the newest RFPs did not meet that threshold.

Individual parks listed in the first RFP did not meet the threshold for PWB approval. But because DPR encouraged prospective operators to bid on several parks (bundling), revenues from bundled parks exceeded \$500,000. The 10 parks listed in the next RFPs were similar: no

park reached the \$500,000 revenue threshold, but bundled parks – again encouraged by DPR – well exceeded the \$500,000 threshold. And this time, DPR released the RFPs without bothering to go to the PWB, possibly concerned that their previous testimony to the Board contradicted what was actually in the RFPs.

Others may decide whether DPR skirted the law, but what is clear to me is that DPR has been avoiding a public debate on privatization of State Parks.

Why should the Legislature and the public be concerned with privatization of State Parks? After all, the state has had concession agreements for many years to run food and camping services at its parks. And, many will argue that private businesses are more efficient than government bureaucracies. The difference with the new privatization contracts, however, is that DPR is stepping into the background. If there is a DPR presence at any of the privatized parks it will be on an occasional basis. The day to day operations of the entire park will be given to the concessionaire, and very little of the revenues shared with the public. We need to know not only if concessionaires can operate parks more efficiently, but if their need to make a profit can jeopardize the public's environmental and recreational benefits.

If the state is going to go down a path of privatizing state parks, it not is done by stealth, but in the bright light of public review. Privatization is serious **business**, requiring serious answers to thoughtful questions. A legislative review of park privatization would require answers to the following questions:

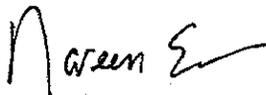
- Will privatization contracts deliver a public project for a lower price or with higher quality? Or are they being used to avoid budgetary discipline, compliance with labor standards and regulations governing public projects, or to reduce wage and benefits standards for workers?
- Is the state receiving fair value in the privatization contracts? Current RFPs require at a minimum, 3 percent of gross receipts or annual payments ranging from only \$400 for a less visited park to only \$12,000 for a well-visited park.
- If a private entity believes that they can make a profit operating a park, why can't DPR operate the park with surplus revenues?
- Do privatization contracts bring added value for the taxpayer, as measured by a comprehensive test that includes all the relevant costs of transitioning operations of a state park to a for-profit concern and future infrastructure repairs?
- Does competition exist for the service being put out for bid? Is a contract competitive if fewer than two applications are received?

- Will DPR have the ability to defend the public interest in contract negotiations and to properly monitor and enforce contracts as they are carried out?
- How is DPR ensuring that state parks are operated in ways that are consistent with the public interest rather than the maximization of private profit?
- Is an adequate bond required to cover sudden terminations of contracts? In the current RFPs the minimum performance bond required for Brannon Island, for example, is \$6,000. Does that amount equal the potential loss to the public of the park for one year?
- What does the public think about privatization of public resources? Are there concerns in local communities that park jobs and revenues are being shifted to a corporate entity that may be based out of state?
- Is there a clear and legally enforceable process to terminate privatization contracts if they are not upheld?
- What is to prevent creeping commercialization of the park and changes that may detract from natural resource values and public use and enjoyment?

DPR's Director Ruth Coleman was a reviewer of Arizona's "2010 Park Privatization and Efficiency Plan" and with the State Parks Foundation, DPR has hired the same firm who authored that report to do an "Financial Planning and Cost Efficiency Study" for California's State Parks. Now, as new precedents are set with four state parks about to be operated by for-profit companies, it is past time to include the Legislature and the public in any discussion about State Park privatization. These are public assets which should be managed in the public interest.

Thank you for your interest in California's magnificent State Parks.

Sincerely,



Noreen Evans
Senator, 2nd District