

## 2025-27 Budget Review

### Parks and Recreation Department

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	2,333,866	8,590,960	8,476,750	8,476,750
Lottery Funds	110,353,350	170,037,598	167,979,222	204,377,566
Other Funds	157,628,197	174,406,164	145,090,322	158,611,617
Federal Funds	8,642,075	21,868,180	19,444,665	28,599,686
<b>Total Funds</b>	<b>278,957,488</b>	<b>374,902,902</b>	<b>340,990,959</b>	<b>400,065,619</b>
Positions	857	871	865	865
FTE	591.15	632.30	629.40	629.40

\* Includes legislative and administrative actions through December 2024.

#### PROGRAM DESCRIPTION

The Oregon Parks and Recreation Department (OPRD) administers Oregon’s public investment in land and facilities for parks, recreation, and historic preservation. The Department manages, operates, and protects park lands covering 113,000 acres. This includes overnight and day-use services at over 250 state park properties, managing about 1,000 miles of recreation trails, over 360 miles of ocean shore, and other special sites such as boating and fishing docks, meeting halls, interpretive centers, museums, and two historic inns.

The Department is overseen by the State Parks and Recreation Commission, which consists of seven members appointed by the Governor and confirmed by the Senate. The Commission establishes policy, promotes the state's outdoor recreation agenda, approves the OPRD biennial budget request, adopts rules for the Department, approves property acquisitions, and sets rates for the use of park facilities.

The Department is divided into five operating divisions including the Director’s Office; Central Services; Park Development; Direct Services; and Community Support and Grants.

- **Director’s Office** – Responsible for executive leadership and strategic direction; support of Commission activities; coordination with the Governor, Legislature, and other government entities; and operates the Office of Outdoor Recreation, which facilitates private/public cooperation on statewide outdoor recreation policy.
- **Central Services** – Provides budget and fiscal management; human resources; procurement; public relations; diversity, equity, and inclusion guidance; and information technology services.

- **Park Development** – Executes the Facilities Maintenance and Improvement program; manages park acquisitions and developments; includes all non-personnel costs of planning and construction for statewide park projects; and provides real estate services.
- **Direct Services** – This is the largest program and supports daily park operations; including property management; recreation programs; and manages the volunteer program as well as labor partnerships with state, county, and local corrections and youth crew programs.
- **Community Support and Grants** – Responsible for the direction and management of major grant programs and heritage services. Grant programs include the All-Terrain Vehicle program, Land and Water Conservation Fund, Local Government program, Recreational Trails program, Natural Heritage (Section 6) grants, and the Recreational Vehicle grant program. The Heritage program administers federal and state programs for historic and archeological resource planning and preservation, and provides the services required of the State Historic Preservation Office.

Constitutionally dedicated Lottery Funds comprise over 45% of OPRD's total available revenue for the 2023-25 LAB. The state's Constitution allocates of 15% of net lottery proceeds for deposit into the Parks and Natural Resource fund, and half of these proceeds are provided to OPRD for operations and local government park development grants. The portion of OPRD's dedicated Lottery Funds assigned to grants was originally set at 12%, with a provision to increase the amount to 25% when Lottery proceeds grow by over 50% of the amount deposited during the 2009-11 biennium. This threshold was reached late in the 2021-23 biennium, and OPRD's dedicated Lottery Funds are currently divided into 25% for the local government grants and 75% for operations.

Other Funds revenues account for over 47% of the total available revenue in the Department's 2023-25 LAB. The two largest sources include park user fees, at approximately 51% of Other Funds revenue in the current budget, and recreational vehicle (RV) registration fees, at 34%. The user fees are primarily dedicated to operation of the state park system. The RV registration revenue is divided in accordance with ORS 390.134; OPRD retains 55% and the remaining 45% is provided to counties. Of the total county apportionment, 90% is allotted by the Park Assistance Formula for parks and recreation purposes, and 10% is reserved for the County Opportunity Grant program, administered by OPRD.

Federal Funds revenue accounts for nearly 5% of the Department's total available revenue for the 2023-25 biennium. The Department receives Federal Funds from four primary sources: the Historic Preservation Act; Land and Water Conservation Fund; Recreational Trails program; and Natural Heritage program. These funds are largely distributed through OPRD programs to local governments, private individuals, and non-profit entities for approved parks and recreation projects. The Department also receives miscellaneous federal grant awards in support of specific agency projects. These federal funding opportunities are most frequently sought to realize improvements to park lands and facilities.

General Fund makes up about 2% of the Department's total available revenue for the 2023-25 LAB. The General Fund provided in the current biennial budget, and that accounted for in the Governor's budget, is for debt service expenditures on general obligation bonds previously sold to support state park facility improvements.

## BUDGET ENVIRONMENT

**Grant delivery** - The Department awards grants to various applicants for heritage preservation, acquisition, development, and maintenance of park properties and trails. Awards are provided on a reimbursement basis. This means grantees must first spend project funds before OPRD issues disbursements and realizes an expenditure. Although the Department's grant funds may be obligated, because they have been awarded, OPRD has little control over when a reimbursement is requested by the grantee. This has an impact on the timing and amount of OPRD's actual biennial expenditures, and most often results in the necessity of a budget request to roll forward expenditure authority from one biennium to the next in order to honor grant award obligations. For the 2019-21 biennium, the carry-forward amount was \$12 million in total funds, this rose slightly to approximately \$14 million in the 2021-23 biennium. The carry-forward amount requested for the current biennium was approximately \$31 million in total funds, and the Department requested a total of \$50 million in carry-forward expenditure authority for the 2025-27 biennium. While the amount of requested Other Funds and Federal Funds expenditure limitation has maintained fairly consistent over the past few biennia, the Lottery Funds request is driving the marked increase for the current biennium as well as the 2025-27 biennium. This is likely related to the recent reallocation of dedicated Lottery Funds, increasing the amount for local grants.

**Lottery allocation changes** - In 1998, Ballot Measure 66 amended the Oregon Constitution to dedicate 15% of net lottery proceeds to the newly established Parks and Natural Resource Fund. Ballot Measure 66 was scheduled to sunset in 2014, unless reauthorized by voters. In 2010, Ballot Measure 76 passed, making permanent the provisions of Ballot Measure 66. Today, half of the proceeds deposited in the Parks and Natural Resource Fund are allocated to the Department for the repair, operation, and maintenance of state parks, historic sites, recreation areas, and public beaches. Additionally, the Fund provides for local government park development grants, the Oregon State Fair and Exposition Center, and state park land acquisitions. Until recently, Measure 76 Lottery Funds were dedicated to state parks with the division of 88% for agency operations and 12% for local government grants. Toward the end of the 2021-23 biennium, sufficient revenues were deposited into the Parks and Natural Resources Fund to reach a constitutional threshold written into Article 15, Section 4a, shifting the percentage provisioned for local grants from 12% to 25%, thus reducing the percentage of Lottery Funds available for agency operations. With this shift, OPRD has effectively realized a 13% reduction to funding for agency operations and is working on strategies to mitigate the impact, including increasing Other Funds revenue sources.

**Park user fees** - Park user fees account for approximately 51% of the Department's Other Funds revenue in the 2023-25 LAB. Revenue from park user fees is divided into 81% from camping, 14% from day use, and 5% from reservation fees. With the approval of the Commission, OPRD has statutory authority to set and adjust a range of reasonable fees, in rule, for the use of state parks (ORS 390.124). The Department has recently increased overnight, day use, and reservation fees to help keep up with the rising costs of personnel as well as inflation on goods and services. Effective January 2, 2025, day-use parking fees will increase from \$5 to \$10 at the 25 parks that charge for parking; reservation fees will increase from \$8 to \$10; and overnight fees will increase by site type ranging from \$2 to \$5. These increases are projected to raise approximately \$18 million in additional revenue for the 2025-27 biennium. However, the remaining gap between operational expenditures and anticipated non-dedicated revenue is estimated

at \$11 million for the 2025-27 biennium CSL, largely dependent on the Lottery Funds forecast, and the amount of new revenue realized from fee increases.

**Operational revenue concerns** - The Department reports their 2025-27 operating expenditures amount to about \$242 million in total funds. Accordingly, a gap of \$11 million, representing the average between OPRD's high and low estimates, is equivalent to 4.1% of the Department's operational budget.

During the November 2024 meeting of the Oregon Parks and Recreation Commission, the Department provided an update outlining concerns for the long-term sustainability of OPRD's operational funding. The Department asserted that the largest known challenge for the 2025-27 biennium is addressing the gap between projected operational revenues and anticipated expenditures. Throughout this biennium as well as the next, OPRD's operational budget is dependent on an existing beginning balance. This means the current level of expenditures, given projected revenues, is unsustainable for the long-term.

While the dedicated programs remain sustainable, operational expenditures are outpacing Lottery Funds and non-dedicated Other Funds revenues used to support agency operations. Contributing factors include the shift of 13% of dedicated Lottery revenues to grants; a one-time increase of \$18 million in Lottery Funds for local grants as a reallocation of lottery revenues received in the 2021-23 biennium; substantial cost of living adjustments for personnel; additional permanent positions added in the 2023-25 LAB; park closures; flat revenue; and pay equity assessments. Even with the fee increases effective in January 2025, the Department's anticipated new fee revenue is not sufficient to close the gap between CSL expenditures and projected revenue for the 2025-27 biennium without additional agency measures.

Given the recent levels of visitation and demands on the park system, the Department's focus has not been on expenditure reductions, but the growth of revenue streams. OPRD can make certain operational and system changes to increase park user fees and create a more sustainable and balanced budget. Next steps for the Department include adding sites; increasing fees; increasing the number of parks; or level of service increases. Currently, only 25 sites across the state charge a day use parking fee. OPRD has identified eight additional parks throughout the system with high visitation rates for consideration of a day use fee. Additionally, options are being explored around the prices being charged for 12- and 24-month parking permits. These adjustments could potentially increase non-dedicated revenue by another \$8 million. The Department is confident that actual 2025-27 biennial expenditures will be covered by existing and new revenue raised through changes to the park system. Furthermore, the Department will continue to closely monitor and adjust operational expenditures to maintain balance with the Lottery Funds and non-dedicated revenue forecasts.

## CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget for OPRD totals approximately \$341 million and supports 865 positions (629.40 FTE). This represents a decrease of nearly \$34 million total funds, or 10% from the Department's 2023-25 legislatively approved budget (LAB). This reduction is the net result of adjustments to debt service and personal services expenditures, inflation, and phase-outs related to one-time investments included in the 2023-25 LAB. CSL increases include \$15 million in personal services expenditure adjustments, over \$9 million in inflation, and over \$1 million in debt service adjustments. However, the primary factor in the net reduction at CSL is the phase-out of over \$53 million total funds. The most significant one-time investments include:

- \$16 million in Other Funds expenditure limitation for bond-supported park repairs and facility improvement projects.
- \$11 million in Lottery Funds, \$20 million in Other Funds, and \$3 million in Federal Funds expenditure limitation associated with grants distributed during the 2023-25 biennium. This includes grants awarded from the Land and Water Conservation Fund; the Recreation Trails program; the RV County Opportunity grant program; and the Main Street grant program, supported by bonds authorized in the 2021-23 biennium.
- \$3 million Other Funds expenditure limitation for one-time IT professional services related to the Park Reservation System replacement project.

The agency's CSL also includes a net-zero package containing technical adjustments to move five positions from the OPRD's Central Services Division to Direct Services and carry forward a correction to the application of statewide adjustments in SB 5506 (2023), which was approved during the May 2024 meeting of the Emergency Board.

## GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's Budget includes over \$400 million total funds, comprised of over \$8 million General Fund, \$204 million Lottery Funds, \$159 million Other Funds expenditure limitation, \$29 million Federal Funds expenditure limitation, and 865 positions (629.40 FTE). The total funds budget represents an increase of approximately \$59 million, or 17%, above CSL, with no change to the number of authorized position or FTE. The Governor's Budget recommends a total of six policy packages, including four technical adjustment packages, which provide OPRD with over \$36 million in Lottery Funds; approximately \$14 million in Other Funds expenditure limitation; and over \$9 million in Federal Funds expenditure limitation. Much of this increase above CSL is related to grants awarded in the 2023-25 biennium, but not fully expended, requiring a carry-forward of \$37.5 million in Lottery Funds, \$3 million in Other Funds, and \$9 million in Federal Funds expenditure limitation.

Overall, the Governor's budget makes investments in operational cost increases, provides funding for constitutionally required local grants, and recommends bonding and expenditure authority for the Main Street grant program of \$10 million. Additional details for major package investments, reductions and adjustments follow:

- **Packages 090, 091, 092, and 093** - These packages are added by the Department of Administrative Services, Chief Financial Office, as technical adjustments, as well as adjustments to the Attorney General rate and statewide service charges. Collectively, they reduce about \$1 million Lottery Funds in the Local Government Grant program to balance to the state's December 2024 revenue forecast; provide bonding authority and Other Funds expenditure limitation to issue \$10 million in Main Street Revitalization grants; reduce Attorney General rates by 7.5% for a total reduction of \$17,093; and reduce statewide charges and assessments by over \$1 million Lottery Funds and \$495,466 Other Funds expenditure limitation.
- **Package 101 Honor Past Grant Award Obligations** - This package requests \$37.5 million in Lottery Funds, \$3 million in Other Funds expenditure limitation, and \$9 million in Federal Funds expenditure limitation. The purpose of this package is to carry expenditure authority forward into the 2025-27 biennium to continue issuing expense reimbursements for awarded grant

obligations related to the Oregon Main Street grant program, the County Opportunity grant program, the Land and Water Conservation Fund, and the Recreation Trails program.

- **Package 103 Continue Park Reservation System Upgrade** - This package requests nearly \$1 million in Lottery Funds and just over \$1 million in Other Funds expenditure limitation to continue working toward an upgrade or replacement of the existing park reservation system.

## KEY PERFORMANCE MEASURES

A copy of the Oregon Parks and Recreation Department Annual Performance Progress Report can be found on the LFO website: [https://www.oregonlegislature.gov/lfo/APPR/APPR\\_OPRD\\_2024-09-26.pdf](https://www.oregonlegislature.gov/lfo/APPR/APPR_OPRD_2024-09-26.pdf)

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