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MN STATE PARKS FEE STRATEGY

Prepared by:

**MN DNR
Division of Parks & Recreation
State Park Fee Strategy Committee**

Department of Natural Resources Mission Statement

"We will work with people to manage the state's diverse natural resources for a sustainable quality of life."

Division of Parks & Recreation Mission Statement

"We will work with the people of Minnesota to provide a state park system which preserves and manages Minnesota's natural, scenic and cultural resources for present and future generations while providing appropriate recreational and educational opportunities."

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EXECUTIVE SUMMARY

The development of a fee strategy was undertaken in order to establish correct prices for services and facilities provided in Minnesota State Parks. The goal was to review current and new fees and assess whether the benefits accrued to the individual, society as a whole, or someplace in between on a continuum. If benefits accrued primarily to the individual it was determined that the individual should be responsible for the cost of providing the benefit. If benefits accrued to society as a whole, then the cost of providing the benefit should be born by all citizens. If it fell somewhere in between, then a proportionate share of the cost should be born by the user and society.

This concept of public versus private good was applied to the existing and potential new fees in the Minnesota State Park System. A literature review of outdoor recreation fees was conducted to include canvassing other state park systems for their fee evaluation processes. A visitor survey was conducted during the summer of 1996 to understand their perspective of current fees and to assess willingness to pay. Lengthy discussion and debate amongst the fee strategy committee ensued, resulting in the fee recommendations and fee schedule included in this report.

The recommended fee schedule is valid for a period of four years and will need to be revisited in the year 2001. Based on the research conducted during the study, fees should be stepped up modestly over time, rather than infrequent large increases. In applying the merit good concept, fees in Minnesota's State Parks are currently close to what they should be.

This does not mean, however, that the current level of funding is adequate. Based on a system of operating standards developed by the Department of Natural Resources, the state park system was \$7,400,000 below the standard necessary to ensure sustainability in 1997 (State Park Status Report "Benefits and Priorities" 1997-98).

There was a strong sentiment both by the public and the fee strategy committee that the Minnesota State Park System should not pay for itself through fees. The personal, physical, social and economic benefits of state parks are essential to the high quality of life in Minnesota and these benefits should be available to all citizens, regardless of their economic status. To this end, the long-range goal for state parks is to develop a stable source of funding which may include a dedicated account.



PURPOSE

The Minnesota Division of Parks and Recreation has taken a proactive approach to design and implement a fee strategy so that correct prices are charged for services.

The collection of outdoor recreation fees has been a part of Minnesota's State Park System since the early 1950s. In recent years, revenue collected from user fees has comprised about one-third of the annual operating budget needed to run state parks. As we move into the 21st century, the funding necessary to responsibly manage our priceless system of state parks has led us to examine sources of revenue. Recreation fees are one potential source of additional revenue and must be applied equitably and fairly throughout the system. Citizens in Minnesota have been served well historically, by one third of the budget needed to run state parks being produced by user fees. Resource-based recreation providers at both the national and state level are struggling with the issue of revenue production during times of increased competition for dollars, while still meeting mandates to keep services and facilities available to all.

The President's Commission on Americans Outdoors declared in 1987:

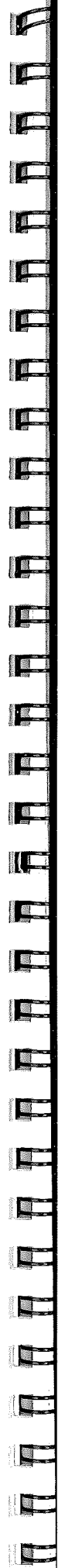
"Each generation must ... ensure to the next, the inspiration of the outdoors' dignity, power, and elemental freedom; the opportunity to participate in its challenges of discovery and personal involvement; and the fulfillment to be found in its endless opportunities for physical release and spiritual renewal."

Our state legislature in Minnesota has proclaimed,

"...that the unique natural, cultural, and historic resources of Minnesota provide abundant opportunities for outdoor recreation and education, and finds that these opportunities should be made available to all citizens of Minnesota now and in the future."

This is the challenge that faces Minnesota State Parks. It is with this challenge in mind that the fee strategy was undertaken.

The Fee Strategy Committee recognized that fees are only a part of the solution to assuring the future of state parks. Fees should only be levied or increased in areas where the individual derives most of the benefit from the service provided. When society as a whole benefits from a particular service as in environmental education, resource management or land acquisition and preservation, the individual should only be required to pay a modest portion or none of the cost through direct user fees. In applying this concept it is hoped that the "endless opportunities for physical release and spiritual renewal" will be available to all, now and in the future.



PRICING OBJECTIVES

Pricing is one of the most technically difficult and politically sensitive areas in which public service managers have to make decisions (Marketing Government and Social Services, Crompton and Lamb, 1986). One of the chief failures of most user pricing policies is that they are typically designed primarily to raise revenue. Sometimes not enough effort is made in discovering who benefits from services and facilities, who pays directly or indirectly for them, and what level of benefits and payments are involved for each service.

Crompton and Lamb state that there are four pricing objectives to consider before setting a fee: **equity, efficiency, revenue production and income redistribution** (appendix A).

Equity deals with the allocation of benefits and payments. This objective attempts to ensure that those who benefit from a service pay for the cost of that service. A key question that must be answered before fees can be set is which services should government provide or subsidize? Economists put services in one of three categories: private, merit, or public services.

Private services solely benefit individuals rather than the rest of society and therefore the individual should bear the cost of providing the service. In merit services, individuals who participate in the activity benefit most, but all members of society benefit to some extent by having the service available to everyone. In this case, it is not reasonable to expect users to cover all costs because spill-over benefits are received by society as a whole. With public services, all members of a society benefit, therefore, all members of society should bear the cost which generally occurs through some form of taxation. More is said about the benefits of state parks in the next section.

The objective of **efficiency** is accomplished when pricing is considered to alleviate congestion, to increase accountability, to provide an incentive for responsible behavior, or to encourage the private sector to deliver some services. The efficiency objective is simply getting the most out of limited resources, so that society as a whole receives the maximum benefit from the service offered.

Revenue production is often needed so that public service agencies can deliver the services that special interest groups desire. User fees typically generate revenue to supplement other sources of funding. Some of the considerations that need to be dealt with in revenue generation are: the cost to administer fee collection programs, the inconvenience it causes users, and the protests of users who complain of paying both taxes and direct user fees.

Income redistribution is one of the rationales that government uses for levying taxes. It is a means of redistributing money from higher income to lower income groups. This may have an application in Minnesota of redistributing tax revenue from within the state. If a facility or service is financed by general tax revenues and is used primarily for the benefit of middle class or wealthy individuals, then revenues from lower income groups are supporting those activities used predominantly by higher income groups. In this case income redistribution is not being realized.

In addition to these four pricing objectives, consideration must be given to: the availability and relative price of substitute services; the proportion the direct user fee represents of the total costs of the users who use the service or facility; and the target markets willingness and ability to pay.

When setting fees, a number of factors need to be considered. First, an agency needs to determine all of the costs associated with providing a service and decide what proportion of those costs should be recovered by direct user fees. Second, the cost based price needs to be evaluated to determine if adjustment is needed based on the willingness or abilities of users to pay. Third, the appropriateness of differential pricing should be looked at to determine whether variations of the average price should be charged to particular groups to achieve equity and efficiency in delivering the service. Fourth, the psychological dimensions of increasing fees need to be considered. This stage must recognize that user reaction will be based on their tolerance zone, the length of the user adjustment period, their perceived value of the service, and the customary or traditional pricing of the service.

What follows is a description of the benefits that Minnesota State Parks provide, along with a six step process for setting fees which incorporates the objectives of pricing.

BENEFITS OF STATE PARKS

The services in state parks are divided into the private, merit and public goods categories described earlier. These state park services provide opportunities for attainment of many important benefits. Documenting these benefits allows managers to focus their attention on desired outcomes when developing state park services. It is easy for management actions to become more focused on the specific activities or infrastructure found within a state park than the benefits attained from those parks.

This section describes four types of benefits attained from Minnesota's state parks:

- ▶ **Personal** - *benefits to individuals*
- ▶ **Social (Community)** - *benefits to communities and society as a whole*
- ▶ **Economic** - *benefits to the region and state's economic health*
- ▶ **Environmental** - *benefits to the natural environment*

The specific benefits listed below for each benefit type are drawn from research conducted in Minnesota's state parks and elsewhere. Recent survey data collected from visitors to six Minnesota State Parks that vary in size, landscape features, and services provided substantiate the personal benefits. Data from this survey also supports the conclusion that visitors received the benefits they were seeking from their visits to those parks.

The benefits of state parks are not limited to state park visitors. State parks improve the quality of life for all Minnesotans by protecting the state's environment, enhancing the state's economic health and increasing community pride. Results from a survey of community leaders associated with two of Minnesota's largest state parks (Itasca and Tettegouche) support the social benefits listed below.

Finally, research conducted outside of Minnesota was used to develop the list of economic and environmental benefits listed below.

Personal benefits

State parks provide places of beauty for spiritual and other forms of personal renewal.

The physical activities that people take part in when visiting a state park contribute to a full and meaningful life.

Regular physical activity is one of the best methods of health insurance for individuals.

Personal benefits

Relaxation and rest provided in state parks are essential to stress management. The meaningful activities in state parks are a source of developing self-esteem and a positive self-image.

State parks provide places to experience and learn about nature.

Social benefits

Visiting state parks together builds strong families, the foundation of a strong society.

State parks provide opportunities for the public to feel a "sense of ownership" of the resources and therefore a sense of responsibility for the future of those resources.

State parks provide integrated accessible activities, critical to the quality of life for people with disabilities.

State parks create a sense of community pride in the areas they are located, and for citizens of the state.

State parks provide communities with a healthier environment.

State parks provide places to learn about our natural and cultural history.

Economic benefits

State parks provide opportunities for physical fitness (preventive health insurance) reducing the health costs to society.

People who are physically fit are more productive on the job.

State parks contribute to and are a catalyst for the tourism economy of the state. When incorporating the total economic benefit of state parks, it should be noted that the system more than pays for itself when all factors are considered. ("Do State Parks Pay for Themselves?," Dr. Tim Kelly 1992).

Investments in environmental protection in state parks pay for themselves by providing high quality tourism experiences.

Property values surrounding a state park are influenced positively.

State parks provide employment to local communities.

Environmental benefits

State parks contribute significantly to the environmental health of the state by preserving and managing some of the state's most precious natural resources.

Through interpretation, state parks increase the understanding of the environment and natural processes.

Through research, state parks help us understand and preserve critical aspects of our natural environment.

State parks help instill values of environmental stewardship and an environmental ethic.



PROCESS FOR SETTING FEES

There are a number of steps involved in the process of setting fees. The steps listed below were taken in an effort toward setting fair and equitable prices. A more detailed explanation of how each step was carried out is contained under each step's heading on subsequent pages and in the associated appendices.

- Determine the cost of providing a service category.
- Determine the "merit good rating"* for a service category.
- Merit good application to cost.
(Determine the approximate amount of revenue that should be generated by a service category as a consideration toward adjusting fees.)
- Conduct a market analysis of:

State Park systems similar to the Minnesota State Park system.
Private sector campgrounds/lodging.
- Determine willingness and ability to pay.
- Synthesize the five steps above and develop a set of fee recommendations for the Commissioner of Natural Resources and the Minnesota State Legislature (for those fees set in statute).

** For the purpose of this document "merit good" refers to the scale upon which a service or good is deemed to be beneficial to the public at large, an individual, or some combination of the two. A service is considered to be purely a public good when everyone benefits from the service and purely a private good when an individual derives all of the benefit of the service. A merit good falls somewhere in between on a continuum between the two. The majority of costs in state parks can be assigned to public good.*



COST TO PROVIDE SERVICES*

The cost of providing services in Minnesota State Parks was broken down into five (5) main categories: resource management, access/resource protection, interpretive services, day use, and overnight (both camping and lodging). All services provided in state parks were assigned to one of these five categories (appendix D) for a representative year (FY95). The Division's budget allotment tool (standards) was used as a basis for determining and assigning costs to the individual categories. Some of the items were broken down on an estimated basis (i.e. maintaining wastewater-37% was assigned to day use and 63% assigned to camping). The costs are meant to give the reader a sense of the approximate proportion of the Division's budget spent in each category.

The figures below represent general fund operating expenses. Approximately one third of the amount shown is currently collected in revenue through user fees. The direct costs for both the Douglas Lodge operation at Itasca State Park and the statewide merchandise program are not included in this cost assessment because both systems are part of a dedicated account that pays for itself.

\$2.2M	Resource management was considered to be the cost of managing the natural and cultural resources within a state park. Examples of activities assigned to this category would include prairie, forest and hazardous tree management, noxious weed control and resource inventories.
\$3.1M	Access/resource protection would include a percentage of activities that serve to control public movement within a park in such a manner as to protect the resources, such as: roads, boundary signing, signs within the park and training.
\$2.2M	Interpretive services includes any activities associated with interpretation and education provided by state parks.
\$6.4M	Day use encompasses a wide variety of activities provided by state parks to include: trails, garbage collection, building and picnic area sanitation, grass mowing, sign maintenance, day security.
\$6.4M	Overnight includes semi-modern, rustic, group, horse and backpack camping, all lodging and a percentage of services needed to support these activities (i.e. garbage collection and building sanitation).
\$20.3	TOTAL BUDGET (FY95)

** The numbers presented here represent the general fund allocation, which does not fully meet a basic level of operations. The Division of Parks & Recreation has undergone a major needs assessment to determine the amount of funding necessary to have the system fully functional. Additional funding is needed to have state parks operating at a level that meets minimum standards.*



MERIT GOOD CONCEPT AND SCALE

The five categories of services provided in Minnesota State Parks were rated on a scale of one (1) to five (5), with one (1) being a service that provides benefits to the entire public at large and the environment and five (5) being a service that provides direct benefits to the customer of that particular service. The ratings of two (2) to four (4) represent services that have benefits accruing to both the general public and the direct customer of the service on a continuum between one and five.

The fee strategy committee discussed and debated the rating scale for individual services and determined a rating for services provided in state parks (appendix B). The services were then combined into five categories and both customers of Minnesota State Parks and the general public were surveyed for their opinions of who should pay for categories of services provided in state parks.

The merit good rating (1- 5) was then translated into a range of percentages (table 1). The merit good percentage is a reflection of the percentage of public good for a service. For example, if renting a cabin is rated as five on the merit good scale it means that a small percentage (0 - 20%) of the benefits derived can be applied to the public as a whole. The individual renting the cabin receives most of the benefit. The cost recovery through fees for cabin rental with a rating of five is 80 - 100%. Because the public value is low and the private value is high, the individual renting the cabin should pay for 80 - 100% of state parks' cost for providing the rental cabin.

At the other end of the spectrum, a service rated as a one (1) suggests that a high percentage (81-100%) should be recovered through taxes because society as a whole benefits, therefore the user should only be required to pay 0-19% of the cost. An example of this would be a resource management activity such as preservation and restoration of the old growth pine at Itasca. It would receive a merit good rating of one, meaning that 0 - 19% of the cost of management of the pines at Itasca should be paid for by people viewing them, because the public at large benefits from the service being provided.

Table 1. MERIT GOOD SCALE		
Merit good rating	Merit good % <i>(cost recovery through taxes)</i>	User fee % <i>(cost recovery through fees)</i>
1	81 - 100%	0 - 19%
2	61 - 80%	20 - 39%
3	41 - 60%	40 - 59%
4	21 - 40%	60 - 79%
5	0 - 20%	80 - 100%

Application of the five categories by the fee strategy committee resulted in the following:

Table 2. MERIT GOOD RATING FOR STATE PARK SERVICES			
	Merit good rating	Merit good % <i>(cost recovery through tax support)</i>	User fee % <i>(cost recovery through fees)</i>
Resource Management	1	80 - 100%	0 - 20%
Access/Resource Protection	1	80 - 100%	0 - 20%
Interpretive Services	2	60 - 79%	21 - 40%
Day Use	3	40 - 59%	41 - 60%
Overnight	4	20 - 39%	61 - 80%

Park visitors and the overall Minnesota population were asked their opinions on how much of any park service should be paid for by park visitor fees and by general tax dollars (appendices C - 1 through 3). Survey respondents agree with the fee strategy committee ratings in two areas and disagree in one.

The two areas of agreement are: (1) the rank order of services (as shown above) from those most deserving of general tax support to those that should be increasingly paid for by user fees; and (2) the amount that should be recovered through fees for the three service areas with larger user-fee recovery components (interpretive services, day use and overnight).

The one area of disagreement is the size of the user fee recovery for the remaining two service areas (resource management and access/resource protection). Visitors gave close, but slightly higher, fee-recovery amounts for these services than the fee strategy committee, and the overall Minnesota population gave higher amounts than the visitors. Within the overall Minnesota population, those who do not visit state parks regularly gave the highest fee-recovery amounts of any group. Even those who do not visit parks regularly, however, thought that general tax dollars should provide the majority of support for these two service areas.

MERIT GOOD APPLICATION TO COST

Merit good percentages were applied to the cost of providing services. It was determined that under present conditions the following areas are currently generating an adequate amount of revenue to cover the appropriate percentage of cost or are disparate and a fee adjustment is needed:

Resource Management

No fee adjustment necessary. This area has high level of public benefit. All citizens benefit from the "windows on the past" that are preserved and managed within Minnesota State Parks. State parks are one of the few places where the resources are managed for presettlement conditions while still providing opportunities for outdoor recreation.

Access/Resource Protection

No fee adjustment necessary. This area also has a high level of personal, social, economic and environmental benefit. The resources protected and managed within a state park should be available to all citizens of the state and in a manner that provides wise access without degradation to the resource.

Interpretive Services

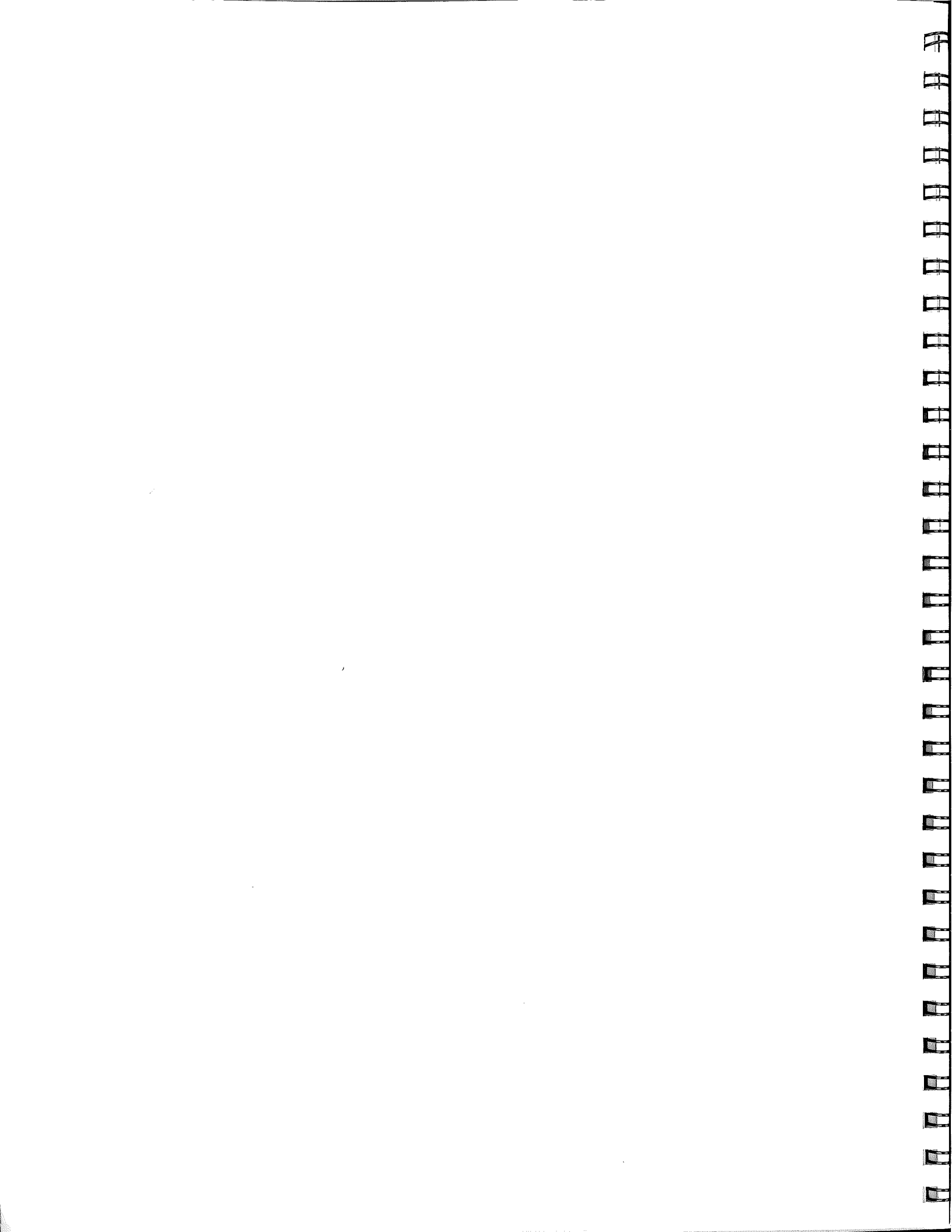
Minimal fee adjustments are advised. There is high public benefit to the interpretation taking place within a state park. When there is a material cost to providing services (i.e. nature guidebook, wood for nesting boxes), these costs need to be directly recovered. When a specific group requests exclusive use of interpretive staff beyond the base level programming, this staff person is not available to the general public and therefore a fee may be charged.

Day Use

Minor fee increases are advised. There is an equal amount of public and private benefit to the day use services provided in a state park. Current revenue generated from day users is slightly below the cost to provide the private benefits derived.

Overnight Use (Camping & Lodging)

Modest incremental increases are advised. There is more of a private than public benefit to these services. The current revenue generated from overnight users does not represent the proportion of cost that should be paid for by the individual.



MARKET ANALYSIS

Determining what state parks should be compared to for a market analysis was a difficult task. Does one compare state park fees to the cost of any competing leisure pursuits like; ticket prices for sporting events, entrance fees at Minnesota's Valley Fair amusement park, annual and daily passes for the science museum, parking and entrance fees at the Minnesota Zoo and the Como Zoo? Or should the market analysis be based on a review of other state park systems and private campground providers?

The fee strategy committee determined that if one compared state park fees to competing leisure pursuits one could slant the comparison to get predetermined results. There is a vast array of free activities at one end of the spectrum and very high priced activities at the other end. Therefore the fee committee chose to look at fees being charged in other state park systems and private campgrounds within the state.

Fees for neighboring state park systems (appendix E-1), fees for a sampling of other systems nationwide (appendix E-2) along with a phone survey of 30 private campgrounds (appendix E-3) were charted for review.

For a comparison year of 1995, Minnesota's entrance and camping fees generally are on par or higher than the neighboring states of Wisconsin, Michigan, North Dakota, South Dakota and Iowa. The majority of the neighboring systems generate approximately one third of their annual appropriation through fees, similar to Minnesota.

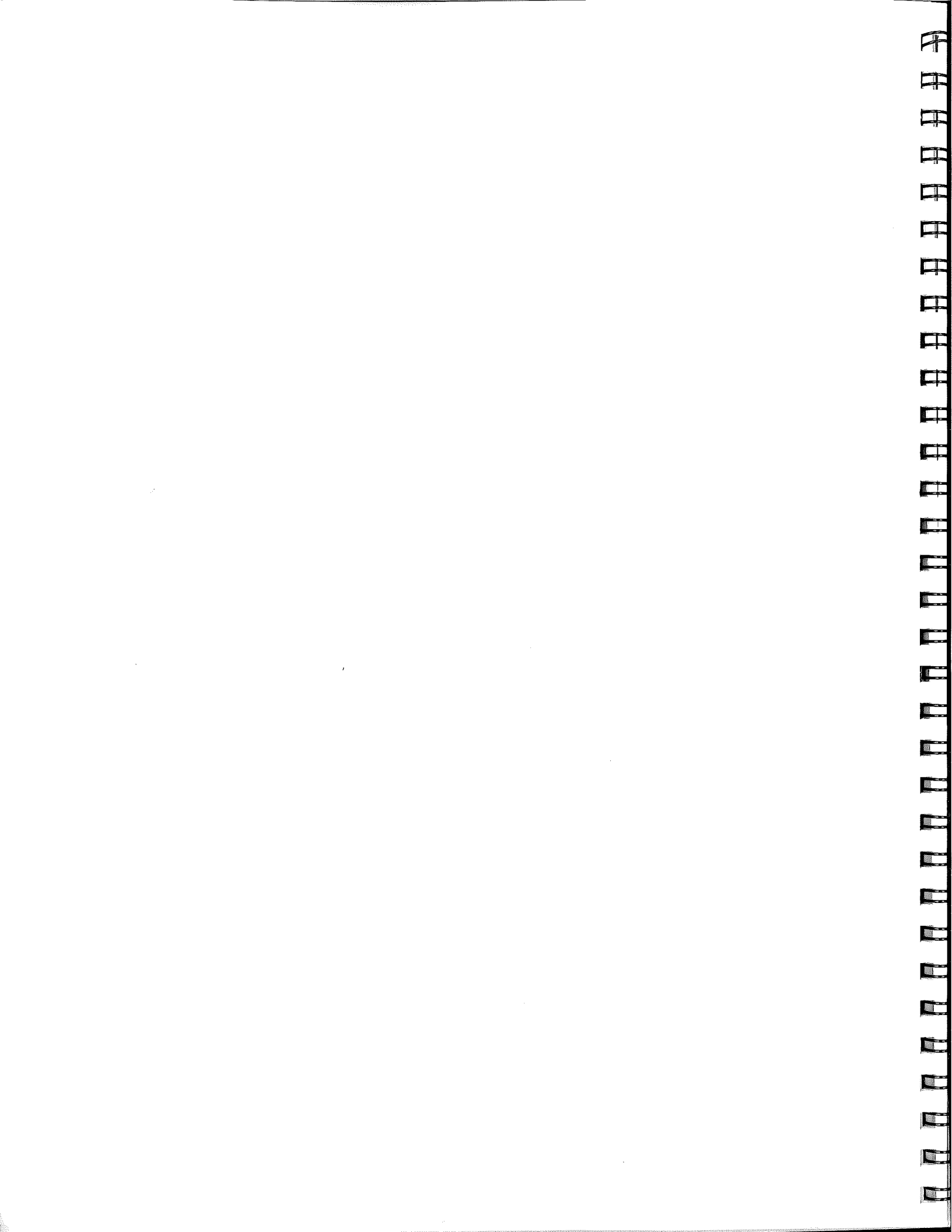
The entrance fees for annual permits in state park systems nationwide run the gamut from free to \$200 in Nevada (this fee is for the Lake Tahoe site only and it covers the entrance, boating and camping fees for an entire year). Daily permits are generally close to Minnesota's current \$4 per vehicle fee, although there is a growing trend toward charging a per person daily rate.

In talking with staff from various state park systems it became apparent that it would be difficult to make any direct cost comparisons and conclusions due to varying political mandates, the type of camping or day use experience offered, the facilities available and the amenities such as interpretive services that were available at varying rates.

The results of the 1996 private campground survey (30 private sites with similar amenities were phone surveyed) indicate that without the state park daily permit added in, 10% of camping fees charged at private campgrounds were below state park prices. When the state park daily permit is added in, 50% of the fees charged at private campgrounds were below state park prices for both electric and non-electric sites. This comparison does not include the cost of making a reservation in the state park system (\$6.00 in 1996).

Conclusion

Bearing in mind that it is difficult to compare Minnesota state park fees with other state park systems and private campgrounds within the state due to varying political mandates, missions, type of experience offered and amenities; generally Minnesota state park fees are at or above the median rate in the state, the Midwest and the nation. There is no need to significantly alter fees based on the market analysis.



WILLINGNESS TO PAY

A portion of the August 1996 customer survey dealt with willingness to pay (see supplement 1-14). Visitors were asked whether or not they thought fees they paid for various services, including daily permits, camping permits and annual permits, were a "good," "fair" or "poor" value. It was assumed that if the visitor rated the fee as a good value they were more likely to be willing to pay an increased fee.

Most visitors responding to the survey believe that they are receiving a good value for the fees (74%). Few (2%) believed the value received is poor.

Survey participants were also asked, if fees were raised a certain amount (increments from \$1 to \$10), would they continue to purchase the permit and visit state parks "just as often," "a bit less," "much less," or "not at all."

Most visitors responding to the survey reported that modest fee increases would not affect their current behavior. Seventy-eight percent of daily permit buyers said they would continue to come to state parks just as often if the daily permit price were increased by \$1. Eighty-nine percent of campers reported they would continue to camp just as often if the camping permit price were increased by \$1. Seventy-nine percent of those buying annual permits said they would continue to purchase an annual permit if the price was increased by \$3. Slightly higher fee adjustments were viewed less favorably, and much higher fee increases were not viewed favorably at all.

As a result, modest fee increases would be well received by most visitors, who believe that the current permit fee levels are a good value. Higher fee increases, however, would be widely opposed and could lead to substantial drops in attendance or participation, resulting in decreased revenue. Also, as shown in the survey, visitors with a lower annual household income (<\$20,000) rated the value of permit fees as slightly lower than the rest of the population and are more sensitive to price increases.

These results indicate that if the decision is made to raise fees, the strategy should be to step them up in small increments over time. Perceived value and willingness to pay should be evaluated on a periodic basis.

RESULTS OF SURVEYS

Most visitors believe they are receiving a good value for the fees. Few believe the value received is poor. As a result, modest fee increases would be received well by most visitors. Higher fee increases, however, would be widely opposed and could lead to substantial drops in attendance or participation, resulting in decreased revenue. Lower income visitors rated the value for their dollar as slightly lower than the rest of the population and are more sensitive to price increases.

The results indicate that if the decision is made to raise fees, the strategy should be to step them up in small increments over time. Perceived value and willingness to pay should be evaluated on a periodic basis.



FEE STRATEGY

The fee strategy falls into two categories:

- ▶ **RECOMMENDATIONS**
- ▶ **FOUR YEAR FEE SCHEDULE**

RECOMMENDATIONS

Based on the cost assessment, merit good assessment, market analysis and willingness to pay, it is recommended that:

1. The Division continue to pursue the concept of a stable funding source that would involve establishing a dedicated account. Due to the fact that a high percentage of services provided in state parks have high public value rather than private value, a system of support that evenly spreads responsibility for the cost of these benefits would be most equitable.
2. The annual permit, daily permit and camping fees be increased at a modest rate over time, and that permit increases be staggered with camping increases, or if both are increased that it be a minor increase.
3. Customer and the public's perceived value and willingness to pay be monitored to assure that fees do not become an economic barrier, particularly for those services of high public value.
4. The Department of Natural Resources approach the legislature to recommend that the senior citizen mid-week half price camping discount authority and vehicle permit fee setting authority be placed with the Commissioner of Natural Resources for ease of implementation.
5. A discounted second annual permit and handicapped permit continue to be available at a reduced price.
6. The Division continue the practice of reduced price group daily permits.
7. A process be set up to make annual vehicle permits available for sale at a "bulk rate." The process would involve a statutory change, marketing and administrative policy changes. A minimum purchase of 50 permits would be required to receive a 10% discount.
8. The Division charge a horse camping rate near the price of semi-modern camping. If there is a modern sanitation building available charge horse campers slightly more than the semi-modern rate.
9. Remote camping rates should be at the same rate as rustic camping.
10. The Division develop an annual "patron" permit that would allow customers the option to contribute an additional tax-deductible amount to the state park system.
11. The camping cabin rates be set as per the Division's Camping Cabin policy, which states that Camping Cabin rates be twice that of semi-modern camping.

12. Interpretive services should explore ways to provide enhanced, fee-charging activities, in addition to maintaining the current level of free services.
13. Individual fees for specific activities within a state park such as biking, hiking and horseback riding not be implemented at this time. The cost-benefit ratio of collection is low. It was felt that when a specific group is singled out within a state park it will become difficult to justify charging one group over another. Entrance fees should cover the proportional (or merit good) cost of providing these services.
14. Lodging rates, at a minimum, should fully recover costs and be assessed to reflect market rates for the area in which they are located.
15. Any fee strategy implementation or changes to fee collection methods should be staggered over time to assure continuation of high levels of customer service.
16. A number of state park systems are implementing the per person daily rate. Monitor the acceptance and success of this concept in other states and revisit in 2001.
17. Convert the current calendar year permit to a "12 month from date of purchase" permit (target implementation for 2000 permit).
18. Develop a system of differential pricing for camping to include charging an additional nominal amount for more popular parks and campgrounds within a park.
19. Consider creating a daily vehicle permit that is valid only for the day it is issued. To accommodate campers, use the camping permit receipt as a daily vehicle permit that would be valid until the camping check out time have it coincide with camping check out time. The daily permit price would remain the same and would be included in the cost of camping.

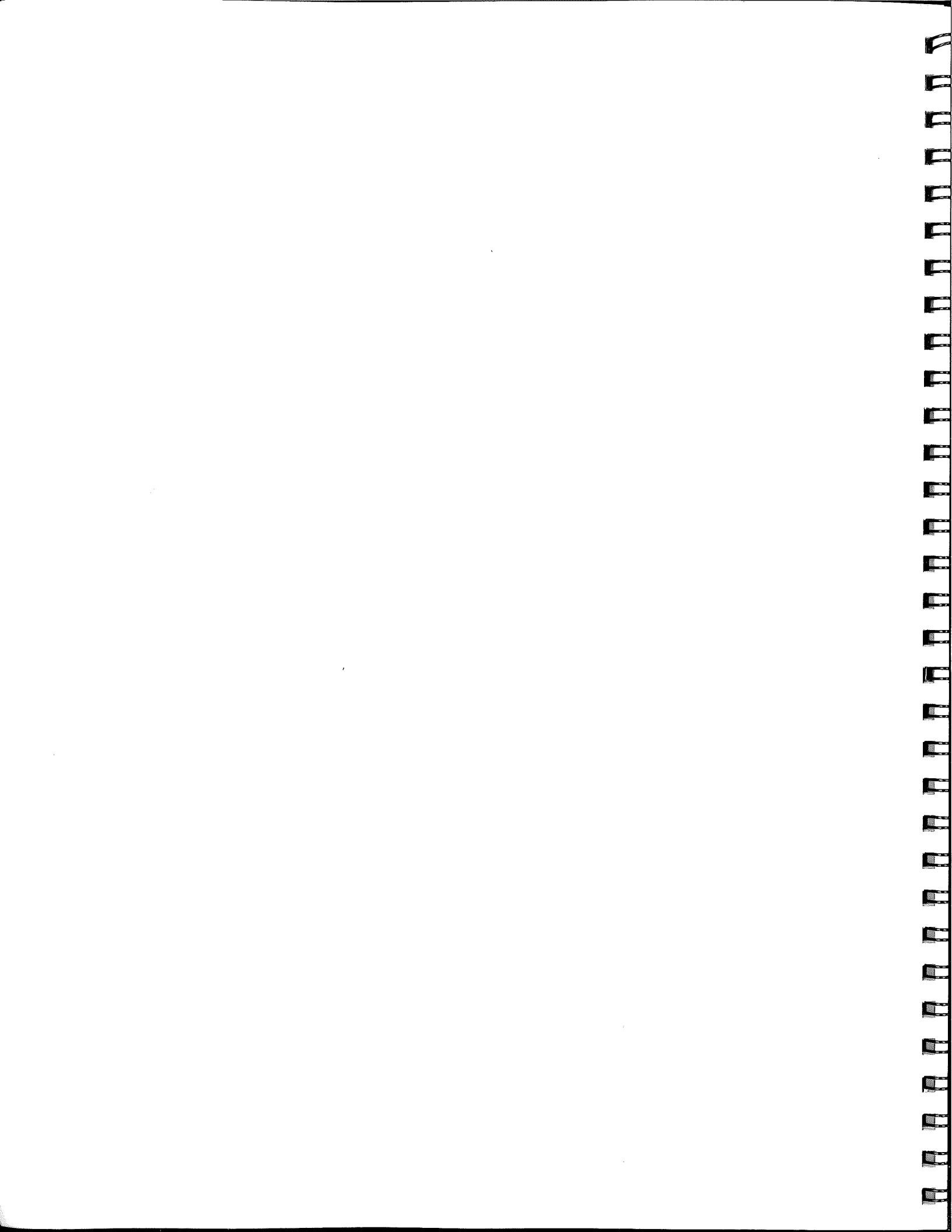
Other fee options considered but not recommended at this time are in appendix F.

FOUR YEAR FEE SCHEDULE

Table 3. VEHICLE PERMITS				
	1999	2000	2001	2002
Annual vehicle permit	\$20.00	\$23.00	\$23.00	\$25.00
2nd vehicle/ handicapped permit	\$15.00/ \$12.00	\$15.00/ \$12.00	\$15.00/ \$15.00	\$18.00/ \$18.00
Daily vehicle permit	\$4.00	\$4.00	\$4.00	\$5.00

Table 4. CAMPING				
	1999	2000	2001	2002
Semi-modern	\$12.00	\$12.00	\$14.00	\$14.00
Remote & rustic	\$8.00	\$8.00	\$10.00	\$10.00
Horse	\$12.00	\$12.00	\$14.00	\$14.00
Semi-modern/rustic	\$10.00	\$10.00	\$12.00	\$12.00
Group	\$30.00 or \$2/person	\$30.00 or \$2/person	\$30.00 or \$2.50/person	\$30.00 or \$2.50/person
Camper Cabin	\$24.00	\$24.00	\$28.00	\$28.00
Electric hook-up	\$2.50*	\$2.50*	\$3.00*	\$3.00*

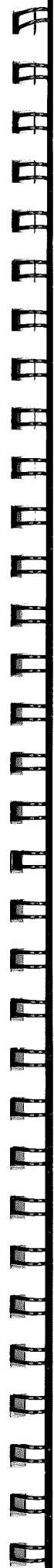
*Fee will be dependent on a cost evaluation.



APPENDICES

The appendices listed below are available individually or as a set from: MN DNR, Division of Parks & Recreation, Planning Section.

Appendix A	Pricing Objectives
Appendix B	Merit Good Rating
Appendix C-1	Customer fee survey
C-2	General public fee survey
C-3	Survey results
Appendix D	Breakdown of general fund budget by category
Appendix E-1	Fee comparisons with neighboring state park systems
E-2	Fee comparisons with a sampling of state park systems nationwide
E-3	Fee comparisons with private campgrounds within the state
Appendix F	Fee options considered, but not recommended
Appendix G	History of fees in Minnesota State Parks



Minnesota State Park Fee Strategy

Supplement
(research summary)

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INTRODUCTION

Public input for the Division of Parks and Recreation Fee Strategy was garnered through two surveys. The surveys were designed to gather public reaction to the core concepts of the strategy (such as 'who should be responsible for paying for various services in parks') as well as specific options under consideration (such as a 12-month annual permit). The surveys were fielded near the end of the deliberations of the Fee Strategy Working Group, when potential core concepts and specific options had crystallized.

One survey was conducted in August 1996 with visitors to the park system. Park staff were asked to hand out mail-back surveys to visitors at the end of their trip. Each park was assigned a number of surveys to handout (which ranged from 5 to 20, depending on attendance) and a day of week (weekend or weekday) to do the survey distribution. Not every park followed the suggested instructions, but most did (see Appendix A for details). The distribution method produced a good mix of campers and day users. Of the 585 surveys scheduled to be distributed, 572 were handed out, 457 were returned (after one re-mail) for a response rate of 80 percent. To remove any bias due to unrepresentative sampling by day of week or type of user (camper and day user) responses were differentially weighted to reflect measured attendance. For more details on methodology, see Appendix A.

The second survey effort, also fielded in August 1996, was designed primarily to get the opinions of infrequent or non-users of the park system. All MN taxpayers pay for, and receive benefits from, state parks, so everyone's opinions need to be weighed in a fee strategy. Topics covered in the survey were essentially the same as those asked of visitors to the parks. In addition to recruiting a sample of infrequent park users and non-users, the survey included people who had visited a state park in the last 12 months. These visitor results represent a broad sample of park users. They were compared with the more limited sample (August only) of the Visitor Survey to see if the more limited sample was biased. The comparison showed that with respect to the main topics of the fee strategy, there was little apparent bias. In other words, the August sample of the Visitor Survey was representative of a broad sample of park users. There is one exception, however, and it is discussed later under the topic of 'differential fees.'

The General Population survey was a mail survey of 1000 randomly selected MN adults. It received a 56 percent response rate after 3 mailings. A major source of bias exists in the survey returns and is due (as usual) to interest in the survey topic: park users were more likely to return the survey than nonusers. To remove this bias, returns were differentially weighted to reflect the portion of MN adults (30%) that visit state parks each year. For more details on methodology, see Appendix A.

This document begins with a summary of the survey results that directly concern the fee strategy. Most, but not all, of the content of the surveys is included in this summary. The

summary has three parts:

- Perceived value for fees paid and willingness to pay more
- Equity: Who should pay for various services in parks?
- Options: A variety of possible fee strategies about which public comment was important to further consideration.

For those who would like a more detailed look at the results, statistical tabulations, with breakdowns, are available in Appendix C, which can be obtained from the Division of Parks and Recreation, MN DNR, St. Paul, MN.

PERCEIVED VALUE FOR FEES PAID AND WILLINGNESS TO PAY INCREASED FEES

A large majority of visitors believe they are receiving a good value for the basic park fees they pay: camping permit, annual vehicle permit, and daily vehicle permit (Table 1). Few believe the value received is poor.

Most visitors indicate they would be willing to pay modest increases in fees (Tables 2, 3 and 4). In part, this is related to perceived value, because people who believe they are receiving a good value (benefits outweigh costs) are more likely to go along with at least a small fee increase. Larger increases, however, are likely to be widely opposed and could lead to substantial drops in attendance.

Lower income visitors tend to have a lower perceived value and are more price sensitive. Overall, such visitors indicate they are less willing to pay increased fees.

Table 1 — Perceived Value of Fees by Fee Payers

(percent of respondents in Visitor Survey)

Value of <u>Current Fee*</u>	Annual <u>Permit</u>	Camping <u>Permit</u>	Daily <u>Permit</u>
Good Value	85.0	68.3	67.6
Fair Value	14.7	29.2	25.5
Poor Value	0.3	2.0	3.5
Don't Know	<u>0.0</u>	<u>0.4</u>	<u>3.4</u>
Total Percent	100.0	99.9	100.0
<i>Number of Respondents</i>	249	282	154

* The scheduled 1997 annual permit price of \$20 was used in the question ; the price for camping was the \$12 semi-modern rate; and the price of the daily permit was \$4.

If the decision is made to raise any of these basic fees, the results here point toward a

Table 2 — Willingness to Pay for an Annual Permit by Permit Buyers

	(percent of respondents in Visitor Survey)			
Reaction to Price Increase Above Current Fee*	<u>\$3 Increase</u>	<u>\$5 Increase</u>	<u>\$10 Increase</u>	<u>\$20 Increase</u>
Will Purchase	79.0	62.9	27.6	17.5
Not Sure	13.5	23.6	33.9	24.8
Will Not Purchase	<u>7.5</u>	<u>13.5</u>	<u>38.5</u>	<u>57.7</u>
Total Percent	100.0	100.0	100.0	100.0
Number of Respondents	245			

* The scheduled 1997 annual permit price of \$20 was used as the current fee.

Table 3 — Willingness to Pay for a Camping Permit by Permit Buyers

	(percent of respondents in Visitor Survey)			
Reaction to Price Increase Above Current Fee*	<u>\$1 Increase</u>	<u>\$2 Increase</u>	<u>\$5 Increase</u>	<u>\$10 Increase</u>
Camp just as often	89.6	64.5	18.6	2.9
Camp a bit less	8.7	29.0	32.8	14.7
Camp much less	0.9	4.9	36.2	35.3
Not camp at all	<u>0.7</u>	<u>1.6</u>	<u>12.3</u>	<u>47.2</u>
Total Percent	99.9	100.0	99.9	100.1
Number of Respondents	280			

* The price for camping was the \$12 semi-modern rate.

strategy of stepping them up over time, and evaluating perceived value and willingness to pay prior to each significant step. Any attempt to go with a single, large fee increase is likely to be widely opposed and could affect attendance and related revenues.

Table 4 — Willingness to Pay for a Daily Permit by Permit Buyers

	(percent of respondents in Visitor Survey)		
Reaction to Price Increase Above Current Fee*	<u>\$1 Increase</u>	<u>\$2 Increase</u>	<u>\$4 Increase</u>
Come just as often	78.6	37.3	18.5
Come a bit less	16.3	42.0	18.3
Come much less	0.4	14.4	43.5
Not come at all	<u>4.7</u>	<u>6.4</u>	<u>19.7</u>
Total Percent	100.0	100.1	100.0
<i>Number of Respondents</i>	154		

* The price for the daily permit was \$4.

EQUITY: WHO SHOULD PAY FOR VARIOUS SERVICES IN PARKS?

Park visitors and the general MN population were asked their opinions on how much of any park service should be paid for by park visitor fees and by tax dollars (Table 5). Among the different segments of park users and the general population, there is considerable agreement on the order of services (as shown in Table 5) from those most deserving of general tax support to those that should be increasingly paid for by user fees. In addition, there is also good agreement on the magnitude of costs that should be borne through user-fee recovery for the service areas with the higher user-fee recovery components (those services at the bottom of the table). The major disagreement is the size of the user-fee recovery for the service areas with the lowest fee-recovery component (those services at the top of the table). The general MN population gave higher fee-recovery amounts for these services than the visitors, and the highest fee-recovery amounts (lowest general taxpayer support) were given by those who do not visit state parks regularly. Even those who do not visit parks regularly, however, thought that general tax dollars should provide the majority of support for these services (services with mean values in Table 5 of 3.0 or less).

Table 5 — Who Should Pay for Park Services?

NOTE: Table entries are mean values of responses based on the following scale of how a service should be paid for:

- 1 = Paid entirely by MN taxpayers
- 2 = Paid mostly by MN taxpayers
- 3 = Paid equally by taxpayers & visitors
- 4 = Paid mostly by park visitors
- 5 = Paid entirely by park visitors

Service	Visitor Survey			General Population Survey		
	All Visitors	Day Users Only	Campers	All MN Adults	State Park Visitor in Last 12 months	NOT a State Park Visitor in Last 12 months
Purchasing land for parks	1.8	1.9	1.7	2.5	2.1	2.7
Preserving resources for future	2.3	2.3	2.1	2.8	2.4	3.0
Park naturalist to teach school kids	2.4	2.4	2.3	2.8	2.7	2.8
Signs about nat/cult resources	2.6	2.6	2.6	2.9	2.8	3.0
Books about nat/cult resources	2.7	2.7	2.7	2.9	2.7	3.0
Park naturalist to teach me	2.7	2.7	2.7	3.1	3.0	3.1
Protecting resources from users	2.8	2.8	2.6	3.3	2.9	3.4
Picnic grounds	3.0	3.0	3.1	3.5	3.3	3.6
Swimming beaches	3.1	3.1	3.1	3.5	3.3	3.6
Hiking trails	3.3	3.3	3.2	3.7	3.4	3.8
Bike trails	3.3	3.3	3.3	3.8	3.6	3.9
Snowmobile trails	3.5	3.5	3.5	4.0	3.9	4.0
Camping	3.7	3.7	3.7	4.0	3.8	4.1
Boats/canoes to rent	4.0	3.9	4.0	4.2	4.1	4.2
Cabins to rent	4.0	4.1	3.9	4.3	4.3	4.3
<i>Number of Respondents</i>	435	158	277	466	211	255

SPECIFIC FEE OPTIONS

Per-Person Daily Entry Permit

Daily permit purchasers were asked about the idea of instituting per-person daily fees. At present the daily permit is a vehicle permit (without regard to the number of people in the vehicle) that costs \$4.

This idea was not received well. A majority though this was a 'bad' idea, while most of the rest thought it was 'about the same as now' (Table 6). Few thought it was a 'good' idea.

Even with such a negative view of the idea, at the low per-person fee levels, instituting a per-person daily permit would likely not lead to substantial drops in attendance (Table 7). Higher fee levels could materially alter attendance, however, just as higher vehicle permit fees could.

Table 6 — Reaction to Idea of Per-Person Daily Fees by Daily Permit Buyers

Reaction to <u>Idea of Instituting</u>	Daily Permit Buyers (percent)
Good Idea	12.4
Bad Idea	52.0
About Same as Now	30.5
Don't Know	<u>5.2</u>
Total Percent	100.1
<i>Number of Respondents</i>	153

Table 7 — Willingness to Pay for a Per-Person Daily Permit by Daily Permit Buyers

Reaction to <u>Per-Person Fee</u>	(percent of respondents in Visitor Survey)			
	<u>\$1.50 Fee</u>	<u>\$2.00 Fee</u>	<u>\$2.50 Fee</u>	<u>\$3.00 Fee</u>
Come more often	7.5	2.1	1.8	1.5
Come just as often	71.7	59.6	34.4	24.7
Come a bit less	10.3	22.0	27.3	20.0
Come much less	5.8	9.6	24.8	33.2
Not come at all	<u>4.6</u>	<u>6.7</u>	<u>11.7</u>	<u>20.6</u>
Total Percent	99.9	100.0	100.0	100.0
<i>Number of Respondents</i>	152			

Twelve-Month Annual Entry Permit

The idea of a permit that would be valid for 12 months following the date of purchase was popular. Currently, the annual permit is based on a calendar year, and goes on sale in the Fall of the preceding year. A large majority thought a 12-month permit was a 'good' idea (Table 8), and few thought it was a 'bad' idea. Nearly all current annual permit holders indicated they were likely or very likely to purchase the 12-month permit. The 12-month permit could also attract some daily permit purchasers.

Table 8 — Reaction to Idea of, and Likelihood of Purchasing, a 12-Month Annual Permit

(percent of respondents in Visitor Survey)			
Is this a <u>good idea?</u>	<u>All Visitors</u>	<u>Annual Permit Buyers</u>	<u>Daily Permit Buyers</u>
Yes	79.7	75.5	84.3
No	8.8	11.9	5.2
Don't Know	<u>11.5</u>	<u>12.7</u>	<u>10.5</u>
Total Percent	100.0	100.1	100.0
 How Likely to Purchase?			
Very likely	52.8	75.0	28.8
Likely	28.7	20.1	38.4
Not likely	11.0	4.6	18.3
Don't Know	<u>7.5</u>	<u>0.3</u>	<u>14.5</u>
Total Percent	100.0	100.0	100.0
 <i>Number of Respondents to Both Questions</i>	 449	 264 to 265	 163 to 164

Patron Permit

Visitors were asked about the idea of instituting a Patron Permit, which would allow entry to the parks like the current annual permit, but which would cost more. The extra cost would be tax-deductible and would be invested in the park system.

The idea was received well by most visitors, especially by annual permit buyers, who are the major market for the permit (Table 9). Less than one-in-five thought it was a 'bad' idea. There seems to be enough likely purchasers of such a permit to warrant further development of this option (Table 10).

Table 9 — Reaction to Idea of Patron Permit

(percent of respondents in Visitor Survey)		
Is this a <u>good idea?</u>	<u>Annual Permit Buyers</u>	<u>All Visitors</u>
Yes	67.9	59.9
No	13.5	16.5
Don't Know	<u>18.6</u>	<u>23.7</u>
Total Percent	100.0	100.1
 <i>Number of Respondents</i>	 265	 446

Table 10 — Likelihood of Purchasing a Patron Permit

----- Percent of Annual Permit Buyers in Visitor Survey -----					
<u>Likelihood of Purchasing</u>	<u>\$10 above annual permit price</u>	<u>\$25 above annual permit price</u>	<u>\$50 above annual permit price</u>	<u>\$75 above annual permit price</u>	<u>\$100+ above annual permit price</u>
Very likely to purchase	35.7	14.3	2.2	0.2	1.5
Likely to purchase	28.6	16.6	8.0	1.2	1.1
Not likely to purchase	23.7	54.5	78.1	83.9	84.2
Don't know	<u>12.0</u>	<u>14.6</u>	<u>11.7</u>	<u>14.7</u>	<u>13.1</u>
Total Percent	100.0	100.0	100.0	100.0	99.9
<i>Number of Respondents</i>	262				
----- Percent of All Respondents in Visitor Survey -----					
<u>Likelihood of Purchasing</u>	<u>\$10 above annual permit price</u>	<u>\$25 above annual permit price</u>	<u>\$50 above annual permit price</u>	<u>\$75 above annual permit price</u>	<u>\$100+ above annual permit price</u>
Very likely to purchase	25.6	9.0	1.9	0.1	0.8
Likely to purchase	23.4	16.1	5.0	2.1	0.7
Not likely to purchase	36.8	60.1	81.1	84.6	86.2
Don't know	<u>14.1</u>	<u>14.8</u>	<u>12.0</u>	<u>13.2</u>	<u>12.4</u>
Total Percent	99.9	100.0	100.0	100.0	100.1
<i>Number of Respondents</i>	440				

Discounted Entrance Fees

Discounts for people with disabilities and of low incomes are not widely supported either by park visitors or by Minnesotans who do not regularly attend parks (Table 11). In the Visitor Survey, household income had no apparent effect on agreement or disagreement with the idea of discounted fees for low-income people. In the General Population Survey, however, low-income respondents tend to have more agreement than other income categories with the idea of discounted fees for low-income people. Even though this is the case, the portion of low-income respondents (\$20,000 or less) that agree with this idea is less than the portion that disagree, as is the pattern with all income categories.

Table 11 — Discounted Entrance Fees		
	(percent of respondents)	
	All Visitor Survey Respondents	General Population Survey: NOT a State Park Visitor in last 12 months
<u>Have discounted fee for people with disabilities?</u>		
Yes	44.2	43.9
No	51.9	43.9
Don't Know	3.9	12.2
Total Percent	100.0	100.0
<u>Have discounted fee for low-income people?</u>		
Yes	30.3	29.8
No	59.0	55.7
Don't Know	10.6	14.5
Total Percent	99.9	100.0
<i>Number of Respondents to Both Questions</i>	447 to 448	262

Differential Fees to Raise Revenue and Lower Congestion

Only about one-third of visitors in the Visitor Survey thought differential fees were a 'good' idea in the four situations covered (Table 12). Most thought such fees to raise revenue and lower congestion were a 'bad' idea. In the General Population Survey, however, park visitors viewed differential fees in a more favorable light. The reason for the difference in results between the two surveys is not known, and it is the only major difference found to date between the surveys. Thus, the best that can be concluded at this time is that park visitors are ambivalent about the application of differential fees.

Table 12 — Differential Fees to Raise Revenue and Lower Congestion

(percent of respondents)					
	----- Visitor Survey -----			--- General Population Survey ---	
	<u>All Respondents</u>	<u>Daily Permit Buyers</u>	<u>Camping Permit Buyers in Last 12 Months</u>	<u>Daily Permit Buyers</u>	<u>Camping Permit Buyers</u>
Have a higher daily entrance fee at busier parks?					
Yes	35.2	33.1	42.0	47.1	43.6
No	61.3	63.8	53.7	52.9	47.4
Don't Know	<u>3.5</u>	<u>3.2</u>	<u>4.3</u>	<u>0.0</u>	<u>9.0</u>
Total Percent	100.0	100.1	100.0	100.0	100.0
Have a higher week-end daily entrance fee at busier parks?					
Yes	35.6	35.1	41.2	57.3	39.7
No	59.7	61.4	52.5	41.7	51.3
Don't Know	<u>4.7</u>	<u>3.5</u>	<u>6.3</u>	<u>1.0</u>	<u>9.0</u>
Total Percent	100.0	100.0	100.0	100.0	100.0
Have a higher week-end camping fee at busier parks?					
Yes	37.0	34.5	37.7	60.2	41.0
No	55.4	56.2	54.7	37.9	52.6
Don't Know	<u>7.5</u>	<u>9.3</u>	<u>7.6</u>	<u>1.9</u>	<u>6.4</u>
Total Percent	99.9	100.0	100.0	100.0	100.0
Have a higher camping fee for more popular campsites?					
Yes	43.4	44.9	34.6	65.7	51.9
No	50.0	48.1	59.4	30.4	45.5
Don't Know	<u>6.5</u>	<u>7.0</u>	<u>5.9</u>	<u>3.9</u>	<u>2.6</u>
Total Percent	99.9	100.0	99.9	100.0	100.0
<i>Number of Respondents to All Four Questions</i>	<i>450 to 451</i>	<i>164</i>	<i>341 to 342</i>	<i>102 to 103</i>	<i>77 to 78</i>

SURVEY METHODOLOGY

Visitor Survey

For the purpose of this study, parks were placed into three groups based on 1995 attendance figures: large parks, medium-sized parks and small parks. The 65 parks included in the study were allocated 585 surveys as follows: each of the 11 large parks received 20 surveys; each of the 19 medium-sized parks received 10 surveys; and each of the 35 small parks received 5 surveys. Surveys were divided between weekday and weekend days. Survey distribution started on August 10, 1996.

Park personnel were asked to hand the surveys to visitors as they left the park, one survey per exiting party. When the survey was given to the exiting visitor, the name and address of the visitor was obtained so a reminder postcard and additional survey forms could be sent to those who did not respond. Reminder postcards were sent as soon as visitor name and address were recorded. Follow-up surveys were mailed on September 5, 1996.

Varying levels of compliance with the survey distribution instructions were obtained from the parks. Not all parks returned the reminder cards. Thus some visitors did not receive the reminder cards and some visitors did not receive follow-up surveys because their names and addresses were unknown. Thirteen of the 585 surveys allocated to the parks were returned as not distributable, giving an adjusted sample size of 572. The number of usable surveys returned was 457 or 79.9 percent of the adjusted sample size.

Most of the parks (80%) responded as to how they handled survey distribution. Distribution was handled as follows:

- 96 percent of parks passed out all their surveys;
- 90 percent handed out all their surveys on the requested day of week;
- 63 percent distributed surveys to visitors they stopped as the visitors were exiting the park (many of the parks handed out surveys in the contact station, which is not the preferred method, because it is biased toward visitors who stop at the contact station [e.g., campers and daily permit purchasers]); and
- 60 percent of parks did all three of the preceding.

Survey results were differentially weighted prior to analysis to ensure that responses from a type of user (camper and day user) and day of week (weekday and weekend) are appropriately represented in the results. August 1995 statewide attendance figures by day of week and type of user were used in calculating the weights. August 1996 figures were not available at the time when the survey was weighted.

Effects of Visitor Survey Weighting
(percent of responses each group represents)

<u>Type of User & Day of Week</u>	<u>Prior to Weighting</u>	<u>After Weighting</u>
Campers on Weekends	35.0%	5.7%
Campers on Weekdays	28.0%	7.0%
Day Users on Weekends	17.1%	28.6%
Day Users on Weekdays	<u>19.9%</u>	<u>58.7%</u>
Total	100%	100%

General Population Survey

The survey was mailed to 1000 randomly selected Minnesota households. Names and addresses of the sample population were provide by Survey Sampling, Inc. of Fairfield, Connecticut. The initial survey was mailed on August 2, 1996 with follow-up surveys mailed on August 23 and September 16. Of the 1000 surveys originally mailed, 102 (10.2 percent) were returned as undeliverable. The adjusted sample size was 898. The number of usable returns was 500 or 55.7 percent of the adjusted sample size.

People who used state parks in the last 12 months were overrepresented in the survey returns (they represented 44 percent of returns). To remove this overrepresentation (bias), returns were differentially weighted to reflect the portion of Minnesota adults (30 percent) who visit state parks each year. The portion who visit state parks each year comes from: 1988 Survey of Minnesotans on Their Attitudes, Perceptions and Use of Minnesota State Parks; by Minnesota Department of Natural Resources, Division of Parks and Recreation and Office of Planning.