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## Cost Recovery Plans: Are They Being Used as a Financial Planning Tool in Parks and Recreation Departments?

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# **Cost Recovery Plans**

## **Are They Being Used as a Financial Planning Tool in Parks and Recreation Departments?**

### **A Look at Local Nevada Governments**

**Presented by:**

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**Bachelor of Science Degree in Recreation Management**

**Brigham Young University, 1981**

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**of the requirements for the degree of**

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## TABLE OF CONTENTS

ACKNOWLEDGEMENTS .....	i
TABLE OF CONTENTS .....	ii
LIST OF TABLES .....	iii
ABSTRACT .....	1
CHAPTER I .....	3
1.1 BACKGROUND .....	3
1.2 COST RECOVERY DEFINED.....	5
CHAPTER II .....	7
2.1 INTRODUCTION .....	7
2.2 HOW ARE LOCAL GOVERNMENTS FUNDED?.....	7
2.3 GENERAL PROPERTY AND SALES TAX .....	7
2.4 GRANTS .....	8
2.5 USER FEES .....	9
2.6 THEORY OF USER FEES.....	10
2.7 TYPES OF USER FEES.....	11
2.8 TO CHARGE OR NOT TO CHARGE?.....	12
2.9 COST RECOVERY.....	16
CHAPTER III.....	21
3.1 RESEARCH QUESTION.....	21
3.2 SAMPLE & PROCEDURES.....	22
3.3 SURVEY INSTRUMENT.....	23
3.4 SAMPLE SIZE AND RESPONSE RATE .....	24
CHAPTER IV.....	25
4.1 GENERAL FINDINGS .....	25
4.2 FACTORS ASSOCIATED WITH THE DEVELOPMENT OF A FORMAL COST RECOVERY PLAN.....	28
4.3 IMPACT OF A FORMAL COST RECOVERY PLAN.....	30
CHAPTER V .....	42
APPENDIX A .....	45
APPENDIX B.....	46
APPENDIX C.....	50
BIBLIOGRAPHY .....	51

## LIST OF TABLES

Table 2.1: Fees and Charges Classifications.....	11
Table 2.2: To Charge or Not to Charge?.....	15
Table 3.1: Survey Response Statistics .....	24
Table 4.1: Characteristics of Sample .....	25
Table 4.2: Characteristics of Jurisdictions and Cost Recovery Plan Status.....	27
Table 4.3: Reasons for Developing a Cost Recovery Plan .....	28
Table 4.4: Reasons for No Formal Cost Recovery Plan .....	30
Table 4.5: Sources of Funding .....	30
Table 4.6: General Fund Support.....	31
Table 4.7: Programs and Fees .....	33
Table 4.8: Facilities and Fees.....	35
Table 4.9: Non-Resident Policy.....	36
Table 4.10: Free Services by Demographic Group.....	37
Table 4.11: Reported Programs with Highest Revenue.....	37
Table 4.12: Reported Facilities with Highest Revenue .....	38
Table 4.13: Establishing or Modifying Fees.....	39

## **ABSTRACT**

### **Cost Recovery Plans Are They Being Used as a Financial Planning Tool in Parks and Recreation Departments?**

**A Look at Local Nevada Governments  
by  
Billie M. Bastian**

**Dr. Anna Lukemeyer, Examination Committee Chair  
Professor of Public Administration  
University of Nevada, Las Vegas**

For several years tax dollars have gradually diminished, causing parks and recreation managers to become more entrepreneurial in developing financial strategies for delivering high quality and cost efficient recreational services to the citizens. One financial tool, under much discussion, is for parks and recreation managers to establish formal cost recovery plans for their departments.

This paper presents the results of a study in which local Nevada governmental parks and recreation departments were surveyed and evaluated to determine if they are using formal cost recovery plans and if cost efficiencies have been improved. The research focused on identifying factors associated with the development of formal cost recovery plans and the financial impact of formal cost recovery plans.

The survey results indicate that Nevada's parks and recreation departments continue to be reliant on the general fund. On average, departments derive 70% of their operational dollars from the general fund and collect approximately 25% from fees and charges. The data collected show that all organizations responding have some type of

cost recovery practice, mostly from fees and charges, but less than 35% have a formal cost recovery plan. This number will increase to approximately 50% when current plans in the developmental process are completed and implemented. Urban cities with large budgets and serving large populations report having formal cost recovery plans. None of the county agencies reports having a formal cost recovery plan established for their parks and recreation departments. Caution must be taken when drawing conclusions regarding county parks and recreation departments as only 50% of the counties returned a survey. All departments that currently report having formal cost recovery plans report that cost efficiencies have increased since implementing their plans and those with the longest experience report the highest effect.

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND

Recreational activities play a vital role in providing a means to enrich and improve the quality of lives for citizens living within a community. In many cases, people will spend a significant amount of personal income to pursue their recreational interests. This seems to be related to people having a need to engage in activities that contribute to either their emotional, physical, intellectual, social, and or spiritual well being. Recreational opportunities are so valued that federal, state, and local governments spend approximately 20 billion dollars annually on recreation land, facilities, and programs (Loomis &Walsh, 1997).

Local governments with parks and recreation departments provide an important service because they are designed to meet the recreational needs of people within their immediate neighborhood. Local government spending on parks and recreation departments is the highest because three-fourths of the all participation in recreational activities occurs close to where people live. In 1992, local governmental parks and recreation departments spent approximately 13 billion dollars on providing services to their communities. Cities were the largest and accounted for 62% of this amount; with counties accounting for 20%, special districts at 10%, and townships at 5% (Loomis &Walsh, 1997).

There is much evidence that demonstrates that additional recreational services and facilities are needed and that the citizens desire them. State and local voters in the fall of 1996, cast ballots on 150 items related to parks, recreation, and conservation, with 70%

passing. These voting actions resulted in the allocation of approximately \$4 billion of new state and local monies for recreation service purposes (Crompton, 1999).

Public sector parks and recreation services are expanding nationwide at the same time that many departments' financial resources are shrinking. As an example, funds for support staff to take care of all the public parks and recreation programs have shrunk by as much as 10% in the last decade. Unfortunately, finances for public sector parks and recreation services are diminishing at a time when most departments are facing many cost issues such as increased vandalism and crime. The same citizens supporting parks and recreational services and facilities at the voter's booth are also requiring the government to limit spending (Crompton, 1999).

Parks and recreation managers are confronted daily with the reality of being required to be more productive with less general fund support. The declining availability of traditional tax supported revenue sources combined with escalating costs have caused parks and recreation managers to become more entrepreneurial and rely on innovative plans for identifying resources to cover the costs of providing activities. This is to be accomplished while satisfying citizens, senior management, and elected official's efficiency goals.

In many cases, parks and recreation managers are pursuing private-public partnerships, privatization agreements, grants, donations, fundraising, and establishing or expanding user fees and charges, to offset the cost of providing services. One of the most recent and important tools for managing a parks and recreation department budget is found when managers embrace a cost recovery philosophy and then establish a formal cost recovery plan.

## **1.2 COST RECOVERY DEFINED**

Beginning in the early 1990s, public sector parks and recreation managers became increasingly concerned with department efficiencies and effectiveness as the pressure to provide quality services increased and general funds decreased. As a result, cost recovery techniques have been explored more intently (Draves, 1996). In most recent years, many parks and recreation managers defined their cost recovery goals in either their department's business plan or as part of their budgetary process. In some cases, managers have developed formal cost recovery plans to establish a well-defined course for improving efficiencies.

For the purpose of this paper, cost recovery is defined as the recovery of some or all of the costs associated with the provision of a program or service. Historically, parks and recreation departments have implemented user fees as a means to recover a portion of the costs to deliver programs and services. Revenue sources such as grants, donations, fundraising, and sponsorships have most recently been identified as other effective means contributing to cost recovery efforts.

The practice of preparing a formal cost recovery plan and identifying specific cost recovery criteria for recreational managers is relatively new. Parks and recreation managers have been searching for a method to determine the extent to which various programs and services should be self-supporting. Formal cost recovery plans are unique to each agency that elects to develop one (Draves, 1996).

There seems to be limited information about formal cost recovery plans. However, some experts refer to formal cost recovery plans as being a written document that contains specific information and goals related to identifying the sources to recover costs for programs and services. Cost recovery planning is centered on the budgetary

process and is supported by well-defined financial objectives. Cost recovery begins by understanding all the costs associated with providing programs and services. The next step is to decide what proportion of the cost should be recovered and then by which source (DeGraaf, Jordan and DeGraaf, 1999). In many cases, parks and recreation managers inventory their programs and services and define classifications for which programs will be responsible for full or partial cost recovery and those that will be fully subsidized.

One of the main functions essential to a successful cost recovery plan is to establish a cost accounting method for determining the financial status of each recreational facility and or program in terms of revenue versus expenditures. Accounting systems vary among the different local government organizations. Efficient parks and recreation department accounting systems must be compatible with the overall organization's accounting system. The accounting system must be established to ensure that there is order, accuracy, and complete documentation for the flow of revenue and expenditures (DeGraaf et al., 1999). The availability of computers is greatly increasing the ability for parks and recreation managers to obtain the needed information for budgetary decision-making and is becoming a necessity in all local government operations (Lee & Johnson, 1998).

## **CHAPTER II**

### **REVIEW OF THE LITERATURE**

#### **2.1 INTRODUCTION**

There are many interesting articles and textbook references with regard to funding parks and recreation agencies and the importance of each applicable source for providing dollars for facilities and programs. After reviewing the available literature, two questions arose: first, how are local governments funded relating to parks and recreation; and secondly, what role does a cost recovery plan have in local government finances when providing recreation programs to the citizens?

#### **2.2 HOW ARE LOCAL GOVERNMENTS FUNDED?**

Revenue sources supporting parks and recreation departments vary from one type of organization to another, with local government using mostly general funds as the major source of funding. User fees and charges and other funding sources such as donations, corporate sponsors, fundraising and grants are pursued to supplement tax dollars (van der Smissen, Moiseick., Hartenburg, Twardzik, 1999).

Five major revenue sources usually exist for state and local governments: property taxes, sales taxes, income taxes, federal grants, and user fees and charges (Fisher, 1996). The state of Nevada is one of the few states that do not have an individual income tax to rely on for revenue. Therefore, this specific tax will not be discussed in this professional paper.

#### **2.3 GENERAL PROPERTY AND SALES TAX**

The general property tax has been the main financial support for local government, including support for parks and recreation departments. In 1932, property

taxes provided local governments with 97% of their total revenues. In recent years, the contribution has dropped to approximately 80% with municipalities relying more on sales tax and various fees and charges. The county governments still rely primarily on the property tax (Crompton, 1999).

Sales taxes are important to municipal government because they are usually the largest single source of state tax revenue and the second largest source of taxes, after property taxes, for local funding purposes. Nearly all sales taxes are imposed on all retail items with food and prescription drugs being exempted. Sales taxes are often appealing to local residents because visitors or tourists pay a portion of the taxes thus subsidizing a local government, which then contributes to worthy causes such as local parks and recreation programs (Crompton, 1999).

Tax revenue collected by states and cities are usually placed into a general fund or a special revenue account. It is then the responsibility of local parks and recreation departments to request funds to support their operations in the form of a budget proposal, which is then approved by a governing body such as a council or commission. Some parks and recreation departments have been granted legal authority to levy their own taxes for special park districts using special assessments or mill taxes (Crompton, 1999).

## **2.4 GRANTS**

Many local governmental agencies rely on financial aid from the federal and state governments to provide parks and recreation services to residents. The Land and Water Conservation Fund is the only federal grant program designed exclusively for parks and recreation departments. This grant source has had a long history of providing dollars for land acquisition and facility development. (Crompton, 1999).

Most grants are established for a short period of time and are often enacted to solve a specific social problem such as youth crime prevention. In many cases, parks and recreation professionals are competing with other social, educational, and health agencies and non-profit organizations for grant dollars to serve the same goal but through different approaches and services. The most significant trend with a severe impact is that of grant funds diminishing or systematically being discontinued (van der Smissen et al., 1999).

Many local governments are establishing their own partnership and grant programs in order to aid community organizations, non-profits, and citizens, to accomplish neighborhood improvements or establish localized youth development programs. These types of partnerships often take the burden off of local parks and recreation departments and or supplement their program and service offerings. Local government partnerships with outside groups often leads to securing donations and corporate support as well, which is another funding source valuable to parks and recreation professionals (Crompton, 1999).

## **2.5 USER FEES**

User fees provide a major source of revenue for local governments that comes directly from the beneficiary of the service instead of from the general fund. The term user fee will be used in this research paper and will refer to all types of fees and charges paid by participants using recreational services or facilities as described in Table 2.1. All levels of government have been collecting fees from users of specific services or privileges for many years with part or the entire total amount collected contributing toward the cost of delivering such services. For many years, there was a belief that public parks and recreation services and facility access should be free to all potential

users. However, as the demands and expectations of the public increased and the facilities and programs grew and became more elaborate and expensive, so did the need to establish a system of collecting funds to support programs, services, facility and parks maintenance, and operational costs (Kraus & Curtis, 1990). More than two decades ago, the President's Commission on Americans Outdoors recommended that local, state and federal recreation agencies charge a fee to supplement funds coming from regular appropriations to offset the costs of parks and recreation operations and maintenance (Warren & Rea, 1998).

According to a 1991 Census of Government Report, fees and charges represent about 17.5 percent of the general revenue of state and local governments. Hospitals and education represent the highest use of the fees and charges system for state and local governments. Other services commonly involved in the fees and charges system are libraries and parks and recreation agencies. Total user fees and charges at the state and local levels, of all categories, have been the fastest growing revenue source since 1980 (Fisher, 1996).

## **2.6 THEORY OF USER FEES**

User fees are implemented like a benefit tax. This means that an individual charge equates both to the use or benefit and to the cost of providing the service. The basic principle of economic efficiency requires that the marginal benefit equal the marginal cost. This principle is important to understand and must provide a basic foundation to economic efficiency. The consumer should accept that there is a cost associated with producing a service and then make an efficient choice, even when government services are selected. User fees can be viewed as a way to give an incentive

to the consumer to evaluate the true cost of the service they plan to partake in and make an educated selection (Fisher, 1996).

## 2.7 TYPES OF USER FEES

There are several types of financing methods that fall under the category of user fees and charges. Specific types of fees and charges may include entrance fees, admission fees, rental fees, user fees, license and permit fees, and or special service fees (Kraus and Curtis, 1990). An entrance fee may be applied to a citizen visiting a fitness room, park, garden, or historical site. Admission fees may be applied when a person visits an art exhibit or performance. A rental fee may be applied to a family visiting a cabin, using a canoe, or parking at a special event. A user fee may be applied when an individual swims at a pool, uses the golf course, or visits an ice-skating rink. The right to participate in a certain activity such as hunting, fishing, or providing a booth as a vendor at a festival may require a person to pay a license or permit fee. Charges for special or unusual services such as summer or seasonal camp enrollment, a sports league or team competition, or instruction in an organized class may require a person to pay a special-services fee (Kraus and Curtis, 1990). Warren and Rea (1998), suggest that the classification as adopted by the National Recreation and Parks Association and written in Table 2.1 properly defines the seven categories of fees and charges.

**Table 2.1: Fees and Charges Classifications**

FEES AND CHARGES CLASSIFICATIONS	DEFINITIONS
Entrance Fees	Charges to enter places such as large parks, botanical gardens, or other developed recreational areas. The areas are usually well defined but not necessarily enclosed.
Admission Fees	Charges made to enter a building, structure, or natural chamber.
Rental Fees	Payments made for the privilege of exclusive use of a tangible property such as a picnic pavilion.

User Fees	Defined as charges made for the use of a facility, participation in an activity such as a dance lesson.
Sales Revenues	Revenues obtained from the operations of a concession, store, or sales of merchandise.
License and Permit Fees	Issued as a written acknowledgement of consent to do some lawful thing and is usually issued by a division of government.
Special-service fees and charges	Charges made for supplying extraordinary commodities, activities, or services.

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Warren & Rea, 1998

## 2.8 TO CHARGE OR NOT TO CHARGE?

Historical records show that the practice of charging user fees to support public sector parks and recreation programs and services has been established as early as the mid 1800's on a minimal basis but was considered common practice by the middle of the twentieth century (Warren and Rea, 1998). In fact, the practice of implementing user fees is so widespread, in parks and recreation departments across the nation, that approximately one dollar is collected for every five dollars allocated by taxes (Ronald E. McCarville, 1995). A survey of local governmental parks and recreation directors from all over the United States, on the role of user fees, found that 28.3% of their budgets are from users fees (Evelina Moulder, 2002). Thomas More (1999), reports that user fees for public sector parks and recreational services and access to public land are very controversial. There is much information to offer support to those who advocate for fees and those who advocate against fees.

Economists acknowledge that the main reason local governments have been increasing their reliance on user fees is due to budgetary pressures. They argue that a fee creates equity (based on the benefit principle) by charging the user directly, increases economic efficiency, and generates needed revenue to offset the cost of delivering services. This trend plays an important role in ensuring that local governments do what

people want and are willing to pay for. Fees for parks and recreational services lead to efficiency in two ways. First, they provide information to managers about how much users are willing to pay for a particular service. Second, user fees ensure that citizens value the offerings provided by the organization at least at a marginal cost. In many cases, under-pricing or offering services for free can result in over-consumption. The resulting over-crowding may give the organization the impression that they should provide more of the same service (Slack, 2003).

Some local parks and recreation departments increase their revenue capabilities by charging higher user fees to non-residents or tourists. The justification that supports this practice is due to local residents being the primary contributors to the local tax base through property and sales tax that support neighborhood based services (Loomis and Walsh, 1997).

There are many parks and recreation professionals who will argue against imposing user fees for parks and recreational programs or services on the grounds that these programs and services generate positive externalities. Externalities are benefits or costs of services that are not priced and therefore may not be taken into account by the user. Parks and recreation services are often times used as examples of positive externalities because the benefit goes beyond the individual to the society at large (McCarville, 1995).

Further, Loomis and Walsh (1997) argue that certain groups of people should receive recreational services that are classified as merit. Under this category, children, seniors, individuals with disabilities, and individuals from lower income capabilities should be granted the opportunity to pay a lower fee or in some cases no fee. Others will

argue that offering recreational services below-cost and allowing for general fund financing is more readily accepted when citizens place high value on a program and or facility being offered. An example of this concept may be explained in the value of offering a no-fee wholesome after school youth sports program at a neighborhood park. The value is that a character building program experience may prevent kids from being sentenced to jail later at a higher cost (Slack, 2003).

Some will argue that the nature of fees is inconsistent with the service ethic model and may display commercialization. Many professionals who are against an established fee system will advocate for protecting the interest of the racial and ethnic minorities, single parent families, immigrants, and the urban and rural poor. An interesting research outlines the debate generated by fees and charges for public services by dividing the world into two basic moral systems: guardians and merchants. Public parks and recreation departments fall into the guardian category with the primary goal to be caregivers with the responsibility to protect the quality of life of those individuals with the greatest need. The merchant's role is to make money and has little concern for placing the needs of the people first (McCarville, 1995). A summary of the arguments for and against charging a fee for parks and recreational services is found in Table 2.2 (van der Smissen, et. al. 1999).

Thomas More (1999), argues that charging a fee for services and programs increases inequity for lower-income people who generally rely on low-cost public sector recreation. He believes that fees will discourage participation and actually excludes lower income people making the programs and services more available to the middle and

upper classes. More suggests that public recreation should be subsidized and primarily be made available at a low cost or no cost to those individuals most in need financially.

In response, economists argue that avoiding user fees and charges altogether does not benefit government or consumers collectively and may be an inefficient way of helping those citizens who are economically disadvantaged. A more effective form of assistance may include offering a scholarship or a financial assistance program to lower income consumers, which then allows all those who can afford to pay to do so at their own ability level (Fisher, 1996).

Another financial issue requiring consideration when government imposes user fees is to determine if the cost to collect the fee from the consumer is reasonable. The user fee collection process, which includes employees, technology, postage etc., is usually not as efficient as tax based financing (Fisher, 1996). In some cases, instituting a fees and charges program may require a large capital outlay investment, which requires the ability to acquire and track through a detailed accounting system. There must also be consideration for additional technology, communication, and training at all levels within the organization (Jackson and Burton, 1999).

Most would agree that charging a user fee for governmental parks and recreational services is an emotionally charged issue. Those on one side of the issue will argue that user fees and charges unfairly constrain access while others state that the users should be paying for the majority of the costs associated with the individualized services they receive. From a practical viewpoint, the costs of local parks and recreation programs can be recovered by a combination of local taxes and fees (Jackson, Burton, 1990).

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**Table 2.2: To Charge or Not to Charge?**

<b>Arguments against Charging Fees</b>	<b>Arguments for Charging Fees</b>
<ol style="list-style-type: none"> <li>1. Park and recreation services constitute a basic human need, much as public health, safety, and education. For the greater good of society and its members, these basic human services should be free of charge.</li> <li>2. For many, these vital human services are essential and individuals and families in greatest need of the public services, in many cases, are those least able to afford those services.</li> <li>3. Those individuals and families who rely on public service and are least able to pay an established fee are those same individuals who would be affected the most and in many cases unable to use the needed services.</li> <li>4. Fees and charges appear to be double taxation, in that the local citizen pays for the construction of facilities and the support of programs through existing local taxes and then is required to pay an additional fee or tax to have access to those facilities or programs.</li> <li>5. Programs that have fees attached tend to be more commercial in nature and the basic philosophy of public servicing may be replaced with a profit orientation.</li> <li>6. With fees established, some question exists as to whether the local agency can still maintain governmental immunity in legal cases such as when accidents or injuries occur while participating in public park and recreation programs or facilities.</li> <li>7. As the public increases awareness of efforts to render public services self-supporting, tax support for these park and recreation services may diminish.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fees charged for participation in public park and recreation services can recover a reasonable amount of the costs for providing the opportunities and constitute a mechanism for cost recovery.</li> <li>2. Revenue that is returned to the collecting agency can be used to enhance the quality and quantity of those parks and recreation programs from which fees have been collected.</li> <li>3. Fees can be used to distribute the use of the facilities, programs, and services, maintaining balance of time and location, preservation of resources, congestion, and participant numbers.</li> <li>4. Fees are paid by those who use the service, generate costs for the provision of the service, and benefit directly from its offering</li> <li>5. Fees reduce competition with private sector recreation services by charging fees instead of providing a no-cost or low cost recreational service.</li> <li>6. A participant's willingness to pay a fee is a useful guide for the planning and development of park and recreation</li> </ol>

Van der Smissen, et. al., 1999

## **2.9 COST RECOVERY**

Several recent nation wide surveys completed by public parks and recreation managers report that diminishing financial resources are a major concern (Crompton, 1999). In many cases, public parks and recreation managers have become more proactive in confronting fiscal challenges by identifying department general fund allocations, establishing fees and charges, pursuing alternative resources, and developing cost recovery plans.

Funding for local parks and recreation programs comes from a variety of sources and most frequently includes general funds, user fees, grants, donations, and fundraising.

Research shows that user fees remain a dominant source of revenue contributing the most to departments' cost recovery initiatives (Moulder, 2002).

As citizens increasingly demand government to be more efficient and accountable, parks and recreation managers will need to become more responsible in justifying user fees for each program. As important, parks and recreation managers will need to be able to explain rate increases based on policy and rationality rather than by random and non-defined measures. Citizens may want to know why some programs, such as swimming lessons, are more heavily supported by tax dollars and offered at a low cost or no cost. In contrast, the same citizens may want to know why other programs such as adult softball leagues have a higher fee for the service.

Most studies conclude that there is a considerable variation among the states when reporting revenue earned from user fees in proportion to expenditures for local parks and recreation programs. North Dakota and West Virginia are two states where their local cities are reporting an average of 43% of cost recovery from recreational fees. The states of Alaska and Delaware report that user fees from their city's recreation programs are recovering costs at less than 4%. Interestingly, the industrial city of Wheeling in West Virginia is reporting 98% self-sufficiency in terms of expenditures versus revenue for recreational programs and services. A national recreation study reported that smaller urban cities and counties within larger metropolitan areas are recovering more costs from user fees than the larger central cities (Loomis and Walsh, 1997).

President Ronald Reagan created a task force on user's fees called the Grace Committee to study fees and charges and cost recovery programs. The study showed that historically, local and state governments have taken the lead in providing most of the

public supply of outdoor recreation opportunities in the United States. State governments recover about one-third of the overall costs for park operations. Generally, state hunting and fishing license fees recover more than half of the costs of state wildlife management programs. Approximately 25% of the remaining costs are recovered through federal grants. Overall, the federal government recovers less than 10% of costs from user fees with the National Park Services recovering costs at 5% and the Forest Services recovering costs at 15% (Loomis & Walsh, 1997).

These findings resulted in the Grace Committee recommending substantial increases in user fees to recover a greater percentage of the costs of operations. The Grace Committee's ideal solution was to recover all the costs associated with operations, through fees and charges; however, they concluded that public policy would be better served if some general funds were applied to those programs and services that benefit and protect the public good of the society at large (Loomis & Walsh, 1997).

DeGraaf, Jordan and DeGraaf (1999), suggest that the first step in establishing an effective cost recovery plan is to understand the current trends of the funding environment and the budgetary process. The next step is to have a basic understanding of public financing for local governmental parks and recreation departments. It is also important to understand that the mission of the organization must be tied to the department's financial goals. The department's financial goals should include a cost recovery plan. Finally, effective cost recover planning includes identifying the amount of money to be recovered and the resources to accomplish this.

DeGraaf et al., (1999) suggest that parks and recreation departments inventory their programs and services to determine which ones will be assigned a fee and the

classification level of responsibility to recover costs: no cost recovery, partial cost recovery, or full cost recovery. According to DeGraaf et al., (1999), parks and recreation research experts, Crompton and Lamb, have effectively identified three categories of services: private, public, and merit. Private services are those that benefit the people that they serve directly. There is usually little general funds applied to these programs and the fees imposed are structured to recover most if not all costs. A round of golf is an appropriate example for this category. Public programs and services usually benefit the local community where the services are offered. Parks and recreation managers must identify the appropriate fee for programs and services identified in this category based on organizational choice. However, most programs or services assigned to this category are usually partially subsidized by the general fund. In addition, a fee is imposed to the participant to recover the remaining costs to offer the program or service. An example for this category may include reserved picnic shelters found in a neighborhood park. The public views the park as adding to the quality of life and the reserved picnic shelter benefits a particular individual or group. Merit programs and services are those that a department identifies as having a tremendous good to the society as a whole. In most cases, these programs are heavily subsidized and rarely have fees imposed but the costs are usually covered by the general fund, grants, and or donations (DeGraaf et al., 1999). Often times, programs classified into the merit category include providing for children, the aged, the poor, and the disabled (Loomis and Walsh, 1997).

DeGraaf et al., (1999), describes two types of costs classifications, indirect and direct, to be considered when establishing a fee or charge. Indirect costs include such things as administrative salaries, computers and office equipment, advertisement, and

custodial services. Direct costs are those expenditures that are directly related to a leisure services program being offered to participants such as instructor salaries, class materials and supplies. Direct costs are further broken down into fixed and variable costs for activities.

Fixed costs are those things remaining constant throughout the duration of a program regardless of the number of participants involved in a program such as the rental of a room to conduct a specific class. Variable costs are identified as those things that may be impacted by the numbers of enrolled participants, which when increased cause increased program costs. A good example of increased costs occurs when an additional child is enrolled in a summer camp. This action results in the need to purchase an additional tee shirt, daily snack, arts and crafts kit, and a field trip admission fee (DeGraaf et al., 1999).

Once parks and recreation managers have identified all the costs associated with developing and implementing recreation services or programs, the decision of how much of the program costs will be subsidized by the general fund or other resources must be made and are usually identified in the organization's formal cost recovery plan.

## **CHAPTER III**

### **RESEARCH DESIGN METHODOLOGY**

#### **3.1 RESEARCH QUESTION**

Research has shown that parks and recreational professionals are searching for cost recovery strategies for improving financial success for parks and recreation departments. There does not seem to be a widely accepted standard. The lack of standardization often results in frustration and inconsistent practices (Draves, 1996).

While there has been national research conducted with regard to parks and recreation departments' implementation of fees, a form of cost recovery, there has been little or no research conducted on formal cost recovery plans related to Nevada's local governmental parks and recreation departments. This study examines if parks and recreation departments have established formal cost recovery plans and if there has been efficiency gains.

The research found in this paper will demonstrate first the extent to which Nevada's local governmental parks and recreation departments are dependent on the general fund to support their department's recreational services. The research will secondly show if efforts to identify alternative funding sources are being used to financially support parks and recreation facilities, programs, and services. Thirdly, this research will identify if formal cost recovery plans exist in Nevada and if they are helping parks and recreation department to be more efficient.

This paper will also identify the characteristics of local governmental parks and recreation departments within the state of Nevada. Exploration will be conducted to evaluate the factors associated with parks and recreation managers choosing to develop a

formal cost recovery plan. In addition, this research will examine the financial impact on parks and recreation departments that develop a cost recovery plan. Most importantly, this research attempts to determine if cost recovery plans are being used as a financial tool for improved cost efficiencies.

One of the benefits of the selected survey population is that Nevada's local governmental counties and cities have the same tax structure. Sales and property taxes provide the majority of the revenue sources for local Nevada government's general funds. In Nevada, the general fund is local government's primary operating fund and accounts for all financial resources collected through taxes. The state of Nevada or the citizens, through voting, have the control over the local government tax rates.

### **3.2 SAMPLE & PROCEDURES**

To obtain data for this analysis, a self-administered survey was developed in June 2003, to collect information pertaining to cost recovery practices for city and county parks and recreation departments within the State of Nevada. The study was limited to parks and recreation departments in counties with populations exceeding 10,000 and cities with populations exceeding 5,000 as found in the 2002 Nevada State Demographer's Office report: a total of ten cities and 6 counties. Of the sixteen departments surveyed, 13 responded, resulting in a response rate of 81%.

The survey instrument (Appendix B) was comprised of a three-page questionnaire that included 28 questions and a cover letter (Appendix A). A control number was assigned to each survey, which was then distributed by mail to the director of the departments identified for this study. For convenience, participants were sent a stamped and self-addressed return envelope with directions to return completed surveys to UNLV, Department of Public Administration. A reminder post card was mailed to all the

departments who did not respond to the first mailing. In addition, a second cover letter and survey was sent to the organizations that did not respond to the first mailing distribution or the follow-up reminder postcard. A copy of the cover letter, survey instrument, and the reminder postcard are found in the Appendices A, B, and C of this professional paper.

### **3.3 SURVEY INSTRUMENT**

The survey instrument, attached in Appendix B, consisted of 28 questions with an estimated completion time of less than 15 minutes. The content of the survey was based on reviewed literature as well as a survey conducted by Evelina R. Moulder in 2002, for the International City/County Association (ICMA). The survey questions used for this research were broken down into two categories. The first category of survey questions was constructed to gather information on the characteristics of Nevada's local governmental parks and recreation departments. The second category of survey questions was constructed to gather information on the factors associated with the development of a formal cost recovery plan.

Local governmental parks and recreation characteristics included: government type, population density, annual parks and recreation budgets, source of funding, programs and facilities offered, existence of fee per program and or facility, residents and non-residents use, methods for establishing and modifying fees, existence of computerized accounting systems, and sophistication of cost recovery practices.

Formal cost recovery plan factors included: categories and definitions, development and approval authority, age, review cycle, causes for development, and cost efficiencies gained.

### 3.4 SAMPLE SIZE AND RESPONSE RATE

Table 3.1 reports data on sample size and survey response statistics. The table is divided into three characteristics: government type, population density, and population

**Table 3.1: Survey Response Statistics**

<b>Characteristic</b>	<b>Number Surveyed</b>	<b>Number Responding</b>	<b>Percent Responding</b>
All	16	13	81%
<u>Government Type</u>			
County	6	3	50%
City	10	10	100%
<u>Population Density</u>			
Urban	9	8	89%
Rural	7	5	71%
<u>Population</u>			
<40,000	7	5	71%
40,000-100,000	4	3	75%
>100,000	5	5	100%

size. Of the 16 parks and recreation departments surveyed, 13 (81%) responded by returning the survey instrument. Ten city departments were sent a survey and all 10 responded resulting in a 100% response rate. Six county departments were sent surveys and three responded with a 50% response rate.<sup>1</sup> Of the 9 departments serving urban areas, 8 responded resulting in an 89% response rate. Of the 7 departments serving rural areas, 5 responded for a 71% response rate. As found in Table 3.2, it is evident that those departments serving large and urban populations had a higher response rate than those departments serving smaller or rural populations. Therefore, findings may not be representative of smaller, rural departments.

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<sup>1</sup> One survey representing a large suburban county was received after the completion of this research. The survey results showed that the respondent does collect fees and is planning to complete a formal cost recovery plan within one year.

## CHAPTER IV

### FINDINGS AND ANALYSIS

Chapter IV provides the findings and an analysis of the survey results and is presented in a series of text and tables. Each finding is presented and discussed in the approximate order of the questions as listed in the survey instrument. The first section begins with a discussion on the general findings and presents the characteristics of the sample. The second section provides analyses on the factors associated with the development of a formal cost recovery plan. The last section describes the impact of establishing a formal cost recovery plan.

#### 4.1 GENERAL FINDINGS

In general, the data collected show that all responding departments are collecting revenue from fees and charges to offset the costs of their department's operations. This demonstrates that no single parks and recreation department participating in this research relies solely on the general fund to support parks and recreation programs. These data also demonstrate that all parks and recreation departments are participating in some form of cost recovery practice, but less than a third of the departments report that they have a formal cost recovery plan. The data also show that cities are more likely than counties to have a cost recovery plan. In fact, no county reported having a formal cost recovery plan. It should be noted that the response rate from the counties was low (50%) which leads the researcher to be cautious when drawing conclusions for this governmental category. In addition, all four cities reporting that their departments have a formal cost recovery plan also report that they are currently experiencing improved cost efficiencies or plan to do so in the future.

<b>Characteristic</b>	<b>Number</b>	<b>Percent</b>
<u>Government Type</u>		
County	3	23%
City	10	77%
<u>Population Density</u>		
Urban	8	62%
Rural	5	38%
<u>Population</u>		
<40,000	5	38%
40,000-100,000	3	31%
>100,000	5	38%
<u>Annual Parks and Recreation Budget</u>		
<\$1,000,000	4	31%
\$1,000,000-\$10,000,000	5	38%
>\$10,000,000	4	31%
<u>Have a formal cost recovery plan</u>	4	31%
<u>Do not have a formal cost recovery plan</u>	9	69%

Table 4.1 presents the characteristics of the responding departments. Of the 13 respondents, three (23%) are counties and ten (77%) are cities. Most respondents characterized themselves as urban as opposed to rural.<sup>2</sup> Departments are evenly divided in terms of size of population served and parks and recreation budget. Four (31%) of the respondents reported having a formal cost recovery plan and nine (69%) of the respondents reported that their departments did not have a cost recovery plan.

Table 4.2 reports characteristics of jurisdictions and cost recovery status. Of the ten cities responding, three report that their departments do not have a formal cost recovery plan. Four responding cities report that their departments do have a formal cost recovery plan and three of the cities report that they are in the process of preparing a formal cost recovery plan for their departments. None of the three responding county organizations report having a formal cost plan currently or have plans in progress to

<sup>2</sup> Because only two respondents characterized themselves as suburban, the results from urban and suburban jurisdictions have been combined.

complete one. Cities that are rural and have small populations are less likely to have a

**Table 4.2: Characteristics of Jurisdictions and Cost Recovery Plan Status (N=13)**

Characteristic	No Plan	In Progress	Have a Plan
<b>Cities</b>			
<b>N=10</b>	3	3	4
<u>Population Density</u>			
Urban	0	3	4
Rural	3	0	0
<u>Population</u>			
<40,000	3	1	0
40,000-100,000	0	0	2
>100,000	0	2	2
<u>Budget Range</u>			
<\$1,000,000	3	0	0
\$1,000,000-\$10,000,000	0	2	2
>\$10,000,000	0	1	2
<b>Counties</b>			
<b>N=3</b>	3	0	0
<u>Population Density</u>			
Urban	1	0	0
Rural	2	0	0
<u>Population</u>			
<40,000	1	0	0
40,000-100,000	1	0	0
>100,000	1	0	0
<u>Budget Range</u>			
<\$1,000,000	1	0	0
\$1,000,000-\$10,000,000	1	0	0
>\$10,000,000	1	0	0

formal cost recovery plan. Among large cities, all either report having a formal cost recovery plan in place or are in the process of developing one. Cities that have medium size or large budgets are more likely to have cost recovery plans than cities with small budgets.

An interesting finding is that cities are more likely than counties to have cost recovery plans in place or in progress. The pattern of larger departments developing formal plans that we see in more urban cities does not appear in counties.<sup>3</sup>

#### 4.2 FACTORS ASSOCIATED WITH THE DEVELOPMENT OF A FORMAL COST RECOVERY PLAN

Jurisdictions with a formal cost recovery plan were asked to identify factors associated with their choice to develop a formal plan. The survey question was designed

**Table 4.3: Reasons for Developing a Cost Recovery Plan**

Characteristic	Professional trend	Needs Assessment Results	Elected official initiative	Manager's office initiative	Department initiative
All (N=4)	2*	1	1	2	2
<u>Population</u>					
40,000-100,000 (N=2)	0	1	1	1	0
>100,000 (N=2)	2	0	0	1	2
<u>Parks and Recreation Budget</u>					
\$1,000,000- \$10,000,000 (N=2)	0	1	1	1	0
>\$10,000,000 (N=2)	2	0	0	1	2

\*Number of jurisdictions citing this factor as a cause of their decision to develop a formal cost recovery plan.

<sup>3</sup> No counties in this sample report either having or in the process of developing a formal plan. One large county submitted a survey too late to be accounted for in this research paper. However, this county reports that they are in the process of developing a cost recovery plan. This trend found in Nevada is similar to those findings reported by Crompton, (1999), which states that cities are relying more on special taxes and various fees and charges and that the county governments still rely primarily on the property taxes for funding. It is important to note that only 50% of the county parks and recreation departments responded to the survey. Therefore, caution must be taken when drawing conclusions about other county governments within Nevada.

to allow the respondents to choose more than one response for this question. As Table 4.3 shows, there is no one predominant cause for departments to develop a formal cost recovery plan. The responses were divided between professional trend, needs assessments, elected official initiative, management office initiative, and department initiatives. Even so, it may be fair to state that upper management can be reflective as a collective whole and includes elective officials, government managers, and department directors. This collective group, collapsed to represent one voice, may be an indicator that upper management is following the professional trend to develop formal cost recovery plans based on the need to address diminishing general funds to support parks and recreation services. The sample is small, making it difficult to draw any further conclusions.

All responding departments reported in their surveys that agency accreditation, citizen board, and fiscal stress were not causes for the development of a formal cost recovery plan, and therefore these categories are not included in Table 4.3. In the future, agency accreditation may have more influence on departments choosing to develop formal cost recovery plans. This is due to the fact that agency accreditation criteria, outlined by the Commission Accreditation for Parks and Recreation Agencies (CAPRA), recommends that parks and recreation departments establish a formal fees and charges policy when fees exist. Currently, only two cities within the state of Nevada has been accredited by CAPRA.

It is interesting that much literature has been developed stating that local governments and particularly parks and recreation departments are at risk of losing funding. Yet, the survey results indicate that fiscal stress is not identified as a major cause for developing a formal cost recovery plan.

Those without formal cost recovery plans were asked the reasons underlying their decision not to develop a plan. Table 4.4 represents responses. Responders were allowed

**Table 4.4: Reasons for No Formal Cost Recovery Plan**

Characteristic	Not required	No Fiscal Stress	Staff shortage	Department is too small	No Expertise	No Tracking System	Informal cost recovery practices	Not Efficient
County (N=3)	2*	0	2	2	0	0	2	0
City (N=6)	2	0	1	2	0	0	3	0

\*Number of jurisdictions selecting this response.

to select up to three responses. The reasons reported are somewhat the same for both counties and cities and are equally divided between not required, staff shortages, and small department size. Most organizations reporting that they lack a formal cost recovery plan, state that they do use informal cost recovery practices. Again, it is unusual that the category of “no fiscal stress” was not selected. This leads the researcher to wonder if fiscal stress is being experienced or understood by the responding departments. It is also possible that the implementation of fees as reported by all responders is the direct result of fiscal stress but the development of a formal plan is the result of professional involvement. Further exploration in this area may result in understanding this trend more thoroughly.

### 4.3 IMPACT OF A FORMAL COST RECOVERY PLAN

**Table 4.5: Sources of Funding**

Characteristic	N*	General Fund	Grant Funding	User/ Participant Fees	Cash Donations	Fund Raising	Other
All	13	70% <sup>†</sup>	3%	25%	1%	0%	1%

Have a formal cost recovery plan	4	70%	7%	19%	2%	0%	2%
Do not have a formal cost recovery plan	9	70%	1%	27%	1%	0%	1%

\*N is the number of respondents in each category.

†Respondent's average percentage of the budgets provided by the different funding categories.

One of the survey questions asked the respondents to identify the source and percentages for their total parks and recreation operating budgets as listed in Table 4.5. The results demonstrate that Nevada's local governmental parks and recreation departments remain dependent on the general fund. Departments receive approximately 70% of their operating money from the general fund. Additionally, it was evident that the dependence on the general fund is independent of whether the organization has a formal cost recovery plan or not. Interestingly, Nevada's local governmental parks and recreation departments are reporting that participants' user fees at 25% are the second highest source of funds. This information indicates that local parks and recreation departments are following the national trend and have moved towards establishing alternative funding sources to supplement the general fund. However, the data results show lower percentages are being received from grants funds at 3%, donations at 1% and fundraising at 0%. These three funding sources are clearly not being used as a significant source of alternative funding by local governmental parks and recreation departments within the state of Nevada.

**Table 4.6: General Fund Support**

Characteristic	Acquisition of Public Lands	Preservation of Public Lands	Property Improvements	Facility Improvements	Maintenance	Basic Services	Program Costs
All (N=13)	31%*	46%	77%	77%	92%	92%	77%
Have a formal cost recovery plan (N=4)	25%	50%	100%	100%	100%	100%	100%
Do not have a formal cost recovery plan (N=9)	22%	44%	67%	67%	89%	89%	67%

\*Percentage of jurisdictions reporting general funds to support the different expenditures categories.

The results from this survey corresponded very closely to those reported by an ICMA survey titled Financing Parks and Recreation (Evelina Moulder, 2002) in terms of general funds allocations, and fees and charges. The ICMA survey showed that 1,334 organizations reported that 75 % of their operating budgets come from the general fund and 28.3% come from user fees.<sup>4</sup>

The general fund is supporting a wide range of Nevada’s local parks and recreation departments’ operational costs as depicted in Table 4.6. Respondents were allowed to choose any categories in which the department relied on the general fund for support. The Table shows that 92% of the respondents rely on the general fund for maintenance and basic services. The Table also reports that 77% of the respondents reported that the general fund is used to support program costs, facility, and property improvements. Fewer departments reported using money from the general fund for acquisition and preservation of lands (31% and 46% respectively). This last statement

<sup>4</sup> The ICMA survey requested respondents to report the total percentage of the sources for their parks and recreation operating budgets. Respondents were instructed that the percentages must add up to 100%. Never the less, according to the authors, many different combinations of funding resources were reported. Therefore, when the percentages were tallied, the result is well over 100%.

isn't unusual as most land acquisition and preservation activities are funded by capitol improvement funds, grants, and donations rather than by a parks and recreation department's general fund allocation.

The respondents reporting that they do not have a cost recovery plan indicate that they are less likely, than those with a plan, to spend general fund money on property and facility improvements (67% vs. 100%), maintenance and basic services (89% vs.100%), and programs (67% vs.100%). This is an unusual finding as this researcher would think that those departments with formal cost recovery plans would have less use of the general funds and more use of collected fees for these categories. This would seem to be especially true for the program cost category. These inconsistencies may be due to the survey question being poorly constructed. It may also be due to the small sample size (4) for those departments reporting having a formal cost recovery plan. Further exploration would be needed to draw further conclusions.

The survey asked the responders to identify the types of programs and services provided by their departments. Those who provided a program were also asked if they

**Table 4.7: Programs and Fees**

Characteristic		Before/after school Programs	Music classes	Field trips and excursions	Performing arts	Festivals	Tutorial	Environmental education and nature programs	Social Services
All	Offer	69%*	69%	85%	85%	69%	38%	31%	46%
(N=13)	Charge a Fee	91%†	100%	100%	64%	78%	80%	50%	17%
Have a formal cost recovery plan (N=4)	Offer	100%	75%	100%	75%	75%	0%	0%	50%
	Charge a Fee	100%	100%	100%	67%	67%	0%	0%	50%
Do not have a formal cost recovery plan (N=9)	Offer	78%	67%	78%	89%	78%	56%	44%	44%
	Charge a Fee	86%	100%	100%	63%	71%	80%	50%	0%

\*Percentage of jurisdictions reporting program offerings by categories.

†Percentage of jurisdictions offering a program who charge a fee.

charged a fee. It is common practice for user fees to provide a source of revenue to off-

set the costs for most local governmental parks and recreation programs and services. This type of fee is acceptable because it is charged to the beneficiary of the service. As depicted in Table 4.7 all responders in this survey reported that they charge fees for most programs offered within their parks and recreation departments. The survey included categories for summer youth day camps, dance classes, fitness classes, and martial arts programs which were all offered by respondents and all reported charging a fee, therefore these categories were not included in Table 4.7. These programs are good examples of programs that should have user fee imposed as the activity benefits a very specific group.

It appears that those departments with a cost recovery plan are more likely to offer programs and charge a fee for activities that frequently benefit special groups and are popular in the field of parks and recreation. This includes before and after school programs (100%), which are in high demand. Also included are field trips and excursions (100%). Both of these programs can be expensive for local parks and recreation departments to offer due to the high staff to participant supervision ratio and operational costs. A user fee is appropriate to impose to offset the costs for these two services.

It is interesting that those departments reporting having a cost recovery plan do not offer tutoring or environmental programs as opposed to those departments without a formal plan (44% & 56%). This may be due to the fact that those departments without a plan are not held to specific cost recovery criteria and are offering these programs based on other factors such as merit as opposed to the need to charge a fee. Another interesting trend is that several departments with a formal cost recovery plan offer social services (50%) and also charge a fee (50%). This may be related to departments having a high responsibility to recover costs. Those departments without a cost recovery plan are

offering social services (44%) and are doing it for free which follows the trend to offer programs that are classified as merit or for the public good. Further exploration in this area may be needed to better understand this trend.

The survey asked responders to report on the types of facilities their organizations offered and if fees are charged to use them. Table 4.8 shows the percent of responders offering each facility and of those offering the facility, and the percent charging a fee.

**Table 4.8: Facilities and Fees**

Characteristic		Recreation/ Community center	Outdoor courts	Aquatic center	Skateboard park	Sports fields	Picnic area with shelters	Gymnasium	Rock climbing wall	Golf course	Fitness & weight room
All (N=13)	Offer	92%*	100%	92%	77%	100%	100%	77%	31%	31%	85%
	Charge a Fee	67% <sup>†</sup>	31%	100%	10%	69%	77%	70%	50%	100%	91%
Have a formal cost recovery plan (N=4)	Offer	100%	100%	100%	100%	100%	100%	100%	25%	25%	100%
	Charge a Fee	75%	50%	100%	25%	100%	75%	75%	100%	100%	75%
Do not have a formal cost recovery plan (N=9)	Offer	89%	100%	100%	78%	100%	100%	67%	33%	33%	78%
	Charge a Fee	63%	22%	89%	0%	56%	78%	67%	33%	100%	100%

\*Percentage of jurisdictions reporting facilities offerings by categories.

<sup>†</sup>Percentage of jurisdictions reporting charging a fee for facilities offered by categories.

All respondents reported that when playgrounds, hiking and biking trails were offered they were offered for free; therefore, these categories are not shown in Table 4.8. It isn't unusual to see these amenities offered for free as it is too costly to monitor them and they are usually viewed as amenities that contribute to the general quality of life. Also, beaches and museums are not shown because only 1 or 2 respondents identified that these facilities were offered. It should be noted, that all organizations offering aquatic facilities, golf courses, and museums charge a fee. These types of facilities are expensive to build, maintain, and operate. The user fee applied to the participants for use fairly distributes the responsibility directly to the individuals who benefit the most. An interesting finding is that when golf courses are offered by a department, with (35%) or

without a plan, (33%) a fee is always imposed. This is probably due to the trend that golf courses usually collect sufficient revenue to offset costs, break even and or exceed expenditures. There appears to be no correlation with the existence of a formal cost recovery plan with the number of facilities offered. However, the data show that those departments offering a facility and having a formal cost recovery plan are more likely to charge a fee than those without a formal cost recovery plan. This may be due to the fact that those departments with a plan are more likely to have formal criteria in place driving the need to charge a fee.

The survey results shown in Table 4.9 indicate that all respondents allowed non-residents to participate in department programs and services. However, 31 % of the

**Table 4.9: Non-Resident Policy**

Characteristic	Charge Higher Fees	Charge Lower Fee	Charge the Same Fee
All (N=13)	31%*	0%	69%
Have a formal cost recovery plan (N=4)	50%	0%	50%
Do not have a formal cost recovery plan (N=9)	22%	0%	78%

\*Percentage of jurisdictions citing the procedure for charging fees to nonresidents.

respondents reported that their departments charged a higher fee to non-residents and the remaining 69% charged the same fee to non-residents. Departments with cost recovery plans are more likely to charge a higher fee to non-residents. This could be viewed as a good practice and may ease the pain to the resident. The perception may be that the resident is getting a price break since the non-resident is paying a higher fee.

Table 4.10 reports data for groups where programs are offered for free to participants. Results show that individuals with disabilities or individuals identified as low income demographically are the most likely to be provided free services. This trend found in Nevada follows the merit view as presented by Loomis and Walsh, (1997). The authors believe that granting the opportunity for participants to pay a lower fee or no fee for these two groups is of good merit and benefits the community at large.

**Table 4.10: Free Services by Demographic Group**

Characteristic		All (N=13)	Have a Plan (N=4)	Do not Have a Plan (N=9)
Preschool (0 to 5)	Always	15%*	25%	11%
	Sometimes	69%†	50%	78%
	Never	15%‡	25%	11%
Youth (6 to 12)	Always	26%	25%	22%
	Sometimes	69%	50%	78%
	Never	8%	25%	0%
Teens (13 to 18)	Always	8%	25%	0%
	Sometimes	85%	50%	100%
	Never	8%	25%	0%
Adults (19-55)	Always	23%	25%	22%
	Sometimes	54%	0%	78%
	Never	23%	75%	0%
Seniors (>55)	Always	38%	50%	33%
	Sometimes	54%	25%	67%
	Never	8%	25%	0%
Low Income	Always	62%	75%	56%
	Sometimes	38%	25%	44%
	Never	0%	0%	0%
Disabled	Always	54%	75%	44%
	Sometimes	38%	25%	44%
	Never	8%	0%	11%

\*Percentage of jurisdictions citing that they always offer programs at no charge for demographic group.

† Percentage of jurisdictions citing that they sometimes offer programs at no charge for demographic group.

‡ Percentage of jurisdictions citing that they never offer programs at no charge for demographic group.

Departments with a cost recovery plan are more likely to report always (75%) when offering free programs to people with low incomes or who are disabled. This may be due to the fact that departments with formal cost recovery plans actually set goals to offer free services to certain segments of the population.

Characteristic	Before /after school programs	Summer day camp for youth	Dance classes	Fitness classes	Sports lessons	Martial arts classes	Organized team sports	Field trips	Performing arts	Tutorial	Festivals	Environmental education & nature programs
All (N=13)	85%*	85%	31%	38%	54%	23%	77%	15%	15%	8%	8%	8%
Have a formal cost recovery plan (N=4)	100%	75%	25%	50%	75%	0%	75%	0%	25%	0%	0%	0%
Do not have a formal cost recovery plan (N=9)	78%	89%	33%	33%	44%	44%	78%	22%	11%	11%	11%	11%

\*Percentage of jurisdictions citing types of programs with the highest revenue by category.

Departments reported in Table 4.11 the programs that generate the most revenue. Respondents were allowed to pick the top five programs for this report. In general before/after school programs (85%), youth summer day camp (85%), and organized team sports (77%) generate the highest revenue. There doesn't seem to be a relationship between top revenue generating programs and whether a department has a cost recovery plan or not.

Departments reported in Table 4.12 that the facilities and amenities that generate the most revenue are recreation community centers (69%) and aquatic centers (62%),

**Table 4.12: Reported Facilities with Highest Revenue**

Characteristic	Recreation/ Community center	Outdoor courts	Aquatic center	Beach or lake	Sports fields	Museum	Picnic area with shelters	Gymnasiums	Rock climbing wall	Golf course	Fitness & weight room
All (N=13)	69%*	0%	62%	15%	46%	8%	38%	15%	8%	38%	54%
Have a formal cost recovery plan (N=4)	50%	0%	50%	0%	50%	0%	50%	0%	25%	50%	25%
Do not have a formal cost recovery plan (N=9)	78%	0%	67%	22%	44%	11%	33%	22%	0%	33%	67%

\*Percentage of jurisdictions citing types of facilities with the highest revenue by category.

sports fields (46%), picnic areas, (38%), and fitness rooms (54%). Respondents were allowed to pick their top five facilities for this report. It is interesting that many of the programs listed as top revenue generators in Table 4.11 are held in community centers or on sports fields as listed in 4.12.

Departments reported how they establish or modify their fees in Table 4.13. More than three quarters or 77% of those responding used bench marking as a means of setting or modifying fees. Citizen input (62%), cost recovery requirements (62%), and needs assessment (46%), were reported by approximately 50% of the respondents as a means to set or modify fees. Departments with out cost recovery plans are relying on audit recommendations (22%) to establish or modify fees. Departments with cost recovery plans are relying on consultant recommendations (25%) and cost recovery requirements (62%). The fact that this group is relying on cost recovery requirements makes sense in that they appear to be following their plan.

Some respondents (56%) without a formal cost recovery plan, selected cost recovery requirement, as a means for establishing or modifying fees. This may show that even those departments without formal plans have established informal practices. It could also mean that the selection choice was poorly constructed and misguided the responders. A very important selection choice of market pricing was left off the questionnaire. Many parks and recreation managers believe that market pricing takes precedence over cost recovery practices. This is supported by professional experience that demonstrates that most participants will not select a program or facility if the price is too high.

Characteristic	Audit recommendation	Bench-marking	Citizen input	Consultant recommendation	Cost recovery requirement	Needs assessment	Tradition
All (N=13)	15%*	77%	62%	8%	62%	46%	31%
Have a formal cost recovery plan (N=4)	0%	75%	50%	25%	75%	50%	25%
Do not have a formal cost recovery plan (N=9)	22%	78%	67%	0%	56%	44%	33%

\*Percentage of jurisdictions citing this factor as method for establishing and modifying fees.

Not reported in any tables but of interest is that 88% of departments without cost recovery plans report being required to recover some or all costs relating to recreation programs and 78% report that their departments set cost recovery goals. Respondents with formal cost recovery plans report that they primarily establish their cost recovery categories by specific programs and services. Costs are most likely recovered for programs serving adults, seniors, teens, and youth, and for aquatic and sports activities. The data show that 75% of the responding organizations indicate that they are required to charge fees for these categories of participants and programs. The least likely categories where fees are required to be recovered are for adaptive programs and general facility use with only 25% of the responding organization indicated that they are required to charge fees for these categories.

Department staff and citizen boards are the primary contributors to providing input for department's cost recovery plans with elected officials and organizational managers input having a lesser role. No uniform group provides approval for cost recovery plans. Most frequently, responding organizations reported that elected officials had this responsibility with department heads and citizen boards having a smaller role. The survey showed that departments with formal cost recovery plans are reviewing them

yearly. Also, the survey showed that formal cost recovery plans have been in effect from as short as three years and one as long as nine years. Also reported, is that all departments set cost recovery by percentage, 75% of the departments report that they recover direct costs while 50% of the departments report that they recover some indirect costs. The respondents reported only 25% use the terms public and private in their cost recovery plans and none use the term merit.

Not shown in the table, but shown in the survey results is that all but one department reported that its formal cost recovery plan has caused them to be more cost efficient. The one department reporting that they have only shown some cost savings wrote in a comment that they plan to be more cost efficient in the near future. Because of the small size of the sample, further analysis by population size or budget is not possible.

## **CHAPTER V**

### **CONCLUSIONS**

According to the literature, parks and recreation professionals are encouraged to find creative ways to finance public recreational programs and services. It is projected that tax dollars to support general funds for parks and recreation programs will continue to decline nationwide. One of the recommendations to meet this challenge is for public sector managers to embrace a cost recovery philosophy and to establish a formal cost recovery plan. According to the latest ICMA report, parks and recreation departments still rely heavily on the general funds to provide for the cost of programs and services. However, fees and charges have been the major form of cost recovery for most parks and recreation departments.

The results of the survey conducted for this professional paper showed that all responding Nevada local governmental parks and recreation departments participate in some type of cost recovery practice, but less than 40% have a formal cost recovery plan. This number will increase to approximately 50% when current plans in the developmental process are completed and implemented as reported. The survey results show parks and recreation departments continue to be reliant on the general fund. On average, departments derive 70% of their operational dollars from the general fund and collect approximately 25% from fees and charges. In addition, departments are relying mostly on user fees to recover costs and rely very little on grants, donations and or fundraising. A national survey, prepared in 2002, by Evelina Moulder for the ICMA

reports that parks and recreation departments nationwide are recovering costs through fees and charges at approximately 28%. The national trend of seeing increased amounts of funding from user fees, to replace reduced general funds, appears to be slowing. It has been reported in the literature that fees represented 22% of parks and recreation budgets in 1992 (Loomis & Walsh, 1999).

The data show that all departments that currently have formal cost recovery plans report that cost efficiencies have increased since implementing their plans and those departments with the longest experience report the highest cost efficiency. But, in terms of reliance on the general fund, having a formal cost recovery plan appears to make little difference. Further more, those departments without formal plans report greater reliance on fees and charges, on average, than those with formal plans (27% and 19% respectively).

It appears from this research that Nevada's parks and recreation departments characterized as urban cities and serving larger populations with large budgets are most likely to develop formal cost recovery plans. None of the counties report having formal cost recovery plans. It is noted that the response rate was low for county governments and caution was taken to draw conclusions regarding counties. In addition, there did not seem to be to be one predominant cause for departments to develop a formal cost recovery plan but it appeared that organizational leaders had the most influence.

No demographic group seems to be exempted from paying fees for services. Surprisingly, departments with a formal plan are more likely to report always providing free services to those with disabilities and to low-income groups. Also noted is that all departments allow non-residents to use area recreation programs and facilities, but 50%

impose higher fees for those persons who do not contribute to the tax base. Departments with cost recovery plans are more likely to charge a higher fee to non-residents.

Department staff and citizen boards have primary input into the development of department's formal cost recovery plans; however, elected officials retain approval authority in most cases. This would indicate that the control of cost recovery plans is similar to department budgets where elected officials have the overall authority.

It is suggested that Nevada's parks and recreation departments explore the possibilities of increasing their cost recovery capabilities by, imposing higher fees to non-residents, increasing grant funds, establishing donors and partners, and consider fundraising. These goals can be accomplished by embracing a cost recovery philosophy, which is intertwined with the agencies mission, values, and strategies. In addition, it is recommended that parks and recreation managers establish a formal cost recovery plan that includes, evaluating the citizens programming needs, inventorying existing programs and establishing service delivery priorities, identifying and pursuing all possible funding sources, and establishing the amount of money to be collected to offset costs. It is also recommended that parks and recreation departments establish a means to serve those segments of the population that have a need for services but have financial difficulties paying a fee.

## APPENDIX A

### SAMPLE COVER LETTER

Date

<<First Name>> <<Last Name>>  
<<Job Title>>  
<<Local Government Agency>>  
<<Address>>  
<<City>>, <<State>> <<Postal Code>>

Dear <<First Name>>:

My name is Billie Bastian and I am the Recreation Division Manager for the City of Las Vegas Department of Leisure Services. I am also a Public Administration graduate student at the University of Nevada, Las Vegas and as part of my curriculum requirements I am conducting research to complete a professional paper in preparation for graduation. I am writing to request your voluntary assistance in completing the attached questionnaire.

For several months, I have spent extensive time researching how local governmental Parks and Recreation agencies manage their financial resources in order to deliver their core services. Since I am a local government Recreation Manager, I am curious to find out what the cost recovery practices are of other state of Nevada professionals in my same field. The enclosed survey is part of my study with questions focusing on your department's user fees and cost recovery philosophy and methods. You should know that there are minimal risks associated with your participation in this survey, which should take no longer than 15 minutes to complete. Please be assured that your responses will be reported in a way that no specific individual or department can be identified. There is a number on the attached questionnaire for the purpose of keeping track of the response rate. Your response to each question on the survey is vital to the overall success of my project and you may withdrawal your participation at any time.

Please return your completed survey in the enclosed self-addressed stamped envelope within three weeks. If you have any questions about the research being conducted, please feel free to contact me at (702) 229-6729 between 9am and 6pm, Mondays through Fridays. The Office for the Protection of Research Subjects at the University of Nevada, Las Vegas has approved this study and a representative from their office may be reached at (702) 895-2764 should you have questions regarding the rights of research subjects.

Thanks once again for your willingness to assist me by completing and returning this very important survey. I value your time and appreciate your support in my educational endeavor.

Sincerely,

Billie M. Bastian  
Public Administration Graduate Student

## APPENDIX B

### SURVEY INSTRUMENT

#### COST RECOVERY METHODS

#### QUESTIONNAIRE

1. What type of local government are you?
  - a. City             b. County
2. Which of the following most defines your local government?
  - a. Rural             b. Urban             c. Suburban
3. What is your current parks and recreation department's annual **operating budget**? (*Write in the total dollar amount - do not include Capitol Improvement Funds.*)
  - a. \$ \_\_\_\_\_
4. What percentage of your total parks and recreation department's **operating budget** comes from the following sources? (*Percentages are to add up to 100%.*)

SOURCE	%	SOURCE	%
a. General fund		d. Cash donations	
b. Grant funding		e. Fundraising	
c. User/participant fees		f. Other (specify) _____	

5. Which of the following functions does your parks and recreation department's general fund support? (*Mark all that apply.*)
  - a. Acquisition of public lands
  - d. Maintenance
  - b. Preservation of public lands
  - e. Basic services (e.g., computers, phones, utilities)
  - c. Property improvements
  - f. Program costs
  - c. Facility improvements
  - g. Other \_\_\_\_\_

#### USER FEES

6. Does your parks and recreation department charge user fees for programs?     a. Yes             b. No
7. Does your parks and recreation department charge user fees for facilities?     a. Yes             b. No  
(*You have completed the survey if you answer no to questions 6 and 7.*)

A. Please identify which of the following programs and facilities your parks and recreation department offers and for which do you charge a user fee? (*Provide information only on those programs and or facilities that are included in your parks and recreation department budget.*)  
*Under each column, place an "x" in the Yes or No box.*

	Offer the Program		Charge a Fee		Facilities	Offer the Facility		Charge a Fee	
	Yes	No	Yes	No		Yes	No	Yes	No
Programs					Facilities				
a. Before/after school programs					a. Recreation/community center				
b. Summer day camp for youth					b. Outdoor courts (e.g., tennis & basketball)				

Programs	Offer the Program		Charge a Fee		Facilities	Offer the Facility		Charge a Fee	
	Yes	No	Yes	No		Yes	No	Yes	No
c. Dance classes (e.g., ballet)					c. Aquatic center				
d. Fitness classes (e.g., aerobics)					d. Beach or lake				
e. Music classes (e.g., piano)					e. Skateboard park				
f. Sports lessons (e.g., tennis.)					f. Sports fields (e.g., soccer)				
g. Martial arts classes (e.g., judo.)					g. Museum				
h. Organized team sports (e.g., basketball)					h. Picnic area with shelters				
i. Field trips & excursions					i. Gymnasiums				
j. Performing arts (e.g., concerts.)					j. Rock climbing wall				
k. Festivals					k. Golf course				
l. Tutorial					l. Hiking/biking trails				
m. Environmental education & nature programs					m. Fitness & weight room				
n. Social services					n. Playground				
o. Other _____					o. Other _____				

8. Please identify which five types of programs generate the most revenue for your department. Place the letter that corresponds to the program listed in the table found above. (For example, if organized sports is one of your top revenue generators, enter the letter "h" in one of the spaces below).

Top five revenue generators for programs: \_\_\_\_\_

9. Please identify which five types of facilities generate the most revenue for the department. Place the letter that corresponds to the facility listed in the table found above. (For example, if golf courses are one of your top revenue generators, enter the letter "k" in one of the spaces below).

Top five revenue generators for facilities: \_\_\_\_\_

10. What is the total amount collected annually from fees and charges for your parks and recreation department's services? (Include fees related to both programs and facilities.)

a. \$ \_\_\_\_\_

11. Does your parks and recreation department provide services to certain categories of participants for **free**? (Mark yes or no in each row.)

Category	Always	Sometimes	Never	Category	Always	Sometimes	Never
a. Preschool (0 to 5)				e. Seniors (56 yrs +)			
b. Youth (6 to 12 yrs.)				f. Low income			
c. Teens (13 to 18 yrs.)				g. Individuals w/ disabilities			
d. Adults (19 yrs, to 55)				h. Other _____			

12. Are non-residents allowed to use your department's programs?

a. Yes       b. No

A. If non-residents are allowed to use your department's programs, do they pay a different fee than residents for programs? *(Mark one.)*

a. Yes - Higher for All     b. Yes - Higher for Some     c. Other (List) \_\_\_\_\_

13. What method is used to establish or modify your fees and charges for parks and recreation services? *(Mark all that apply.)*

a. Audit recommendation                       e. Cost Recovery Requirements  
 b. Bench-marking                                   f. Needs Assessment  
 c. Citizens input                                    g. Tradition  
 d. Consultant recommendation               h. Other (List) \_\_\_\_\_

**ACCOUNTING**

14. Does your agency have a computerized activity based accounting system that tracks revenue and expenditures by services delivered?

a. Yes                       b. No

**COST RECOVERY**

*(Cost recovery is the amount of funds collected, through alternative resources other than tax subsidy, to support the cost of providing parks and recreation programs.)*

15. Does your department have responsibility to recover some or all costs for providing recreation programs?

a. Yes                       b. No

16. Does your department set cost recovery goals?

a. Yes                       b. No

17. Does your department have a formal written cost recovery plan?

a. Yes **(If yes, skip to question 18)**               b. No **(Complete question A below)**

A. What are the most important factors influencing your Department's preference not to implement a written cost recovery plan? *(Mark no more than three.)*

a. Not required                                       i. Not cost effective  
 b. No fiscal stress                                    j. In progress - less than 1 year to completion  
 c. Staff shortage                                    k. In progress - more than 1 year to completion  
 d. Department is too small                       l. Not familiar with this term  
 e. No expertise                                       m. Need funding for a consultant  
 f. Lack of ability to track costs per program  
 g. Informal cost recovery plan methods currently practiced  
 h. Other (List) \_\_\_\_\_

**THANK YOU FOR COMPLETING THIS QUESTIONNAIRE**

**ALL OF YOUR RESPONSES WILL BE REPORTED IN A CONFIDENTIAL MANNER**

**PLEASE RETURN THE QUESTIONNAIRE IN THE ENCLOSED ENVELOPE**

18. Which of the following listed items most defines how your department's cost recovery plan categorizes where cost recovery is to occur. *(Mark the one that is most applicable.)*

a. Programs                       c. Customer                       e. Service  
 b. Department                       d. Facility                       f. Other (List) \_\_\_\_\_

19. Does your department's cost recovery plan require that you recover costs for any of the categories listed below? *(Under each column, place an "x" in the Yes or No box.)*

Category	Yes	No	Category	Yes	No
a. Adaptive			g. Special Interest Group		
b. Adults			b. Sports programs		
c. Aquatics			c. Teen programs		
d. Cultural Arts Programs			j. Youth Programs		
e. Facilities			k. Other _____		
f. Senior programs			l. Other _____		

20. Does your department's cost recovery plan establish cost recovery requirements in either one of the categories listed below? *(Mark the one that is most prevalent in your cost recovery plan.)*
- a. By percentages       b. By dollar amounts       c. Other \_\_\_\_\_
21. Does your department recover direct or indirect costs for services? *(Mark all that apply.)*
- a. All direct     b. Some direct     c. All indirect     d. Some indirect
22. Does your department use any of the terms listed below in your written cost recovery plan? *(Mark all that apply)*
- a. Merit       b. Private       c. Public
23. Who has input into your cost recovery plan development? *(Mark all that apply.)*
- a. Elective officials input       d. Citizen Board input  
 b. Manager's office input       e. Consultant input  
 c. Department staff input       f. Other (List)\_\_\_\_\_
24. Who has the final authority in approving your department's cost recovery plan? *(Mark only one.)*
- a. Elected officials       c. Manager's Office  
 b. Department Head       d. Citizen Board       Other List)\_\_\_\_\_
25. How old is your cost recovery plan? *(Round to the nearest year.)*
- a. \_\_\_\_\_yr.(s)
25. What is the review cycle for your department's cost recovery plan? *(Mark all that apply.)*
- a. Every year       c. Every two years  
 b. As needed       d. Other \_\_\_\_\_
26. What caused your department to write a cost recovery plan? *(Mark all that apply.)*
- a. Professional trend       f. Manager's office initiative  
 b. Citizen board initiative       g. Department initiative  
 c. Fiscal stress       h. Agency Accreditation requirement  
 d. Needs Assessment Results \_\_\_\_\_  i. Other (List)\_\_\_\_\_
- e. Elected official initiative
27. Have your cost recovery practices resulted in your department in being more cost efficient when establishing fees and charges for your services?
- a. Not at All       b. Somewhat       c. Very Much

**THANK YOU FOR COMPLETING THIS QUESTIONNAIRE**

**ALL OF YOUR RESPONSES WILL BE REPORTED IN A CONFIDENTIAL MANNER**

**PLEASE RETURN THE QUESTIONNAIRE IN THE ENCLOSED ENVELOPE**

## APPENDIX C

### REMINDER POSTCARD

Billie M. Bastian  
<<Address>>  
<<City>>, <<State>> <<Zip code>>

<<First Name>> <<Last Name>>  
<<Organization>>  
<<Address>>  
<<City>>, <<State>> <<Zip code>>

#### Greetings

<<First Name>> <<Last Name>>

Several weeks ago I sent you a survey seeking information regarding your department's cost recovery philosophy and practices.

If you have already completed the survey and returned it to me, then please accept my sincere appreciation. If not, please complete the survey today and return it in the next few days. Your survey responses are extremely important to the success of my research paper.

If by some chance you did not receive the questionnaire, or it got misplaced, please call me at (702) 229-6728 and I will forward another one to you in the mail today.

My sincere thanks,

Billie M. Bastian

UNLV Graduate Student

Deputy Director, City of Las Vegas, Department of Leisure Services

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