

# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

November 2017

Report No. 2017-10

## Follow-up Report: State Attractions

In 2012, the General Assembly directed the Program Evaluation Division (PED) to review management of state attractions in North Carolina (see Exhibit 1) to determine whether administration could be consolidated and to suggest optimal operating schedules for sites. Sites included in the review were administered by either the Department of Cultural Resources (DCR) or the Department of Environment and Natural Resources (DENR, see Exhibit 2). PED found cost savings and efficiency of site operations could be increased by restructuring site-level management, closing sites partially or entirely, expanding fees, and adopting public-private partnerships with non-profit entities. However, analyses indicated consolidating attractions under one of the existing agencies would not enhance effective management nor result in cost savings because

- centralizing administration of all state attractions under one of the existing agencies would likely be detrimental to the sites that were moved; and
- while consolidating state attractions under a single existing agency might be feasible if the agency mission reflected the purpose of the various site types it administered, fully consolidating oversight of North Carolina's state parks and historic sites under a single existing agency may not yield cost savings.

PED recommended the General Assembly direct DCR and DENR (where applicable) to:

- coordinate site management at historic sites and parks,
- adopt a five-day schedule for most historic sites,
- close two sites,
- record daily visitation data at all parks to determine potential savings from daily or seasonal closure,

- adopt public-private partnerships with non-profits for the operations of the zoo and aquariums, and
- expand public-private partnerships with non-profits and raise fees to reduce reliance on state funds.

In response to PED's report, Session Law 2012-93 required DCR and DENR to study (where applicable):

- coordinated management;
- reduced schedules;
- more reliable mechanisms for counting visitors;
- an appropriate operating schedule for Richard Caswell Memorial; and
- potential savings from admissions fees, corporate sponsorships, or transferring operations at state historic sites and parks.

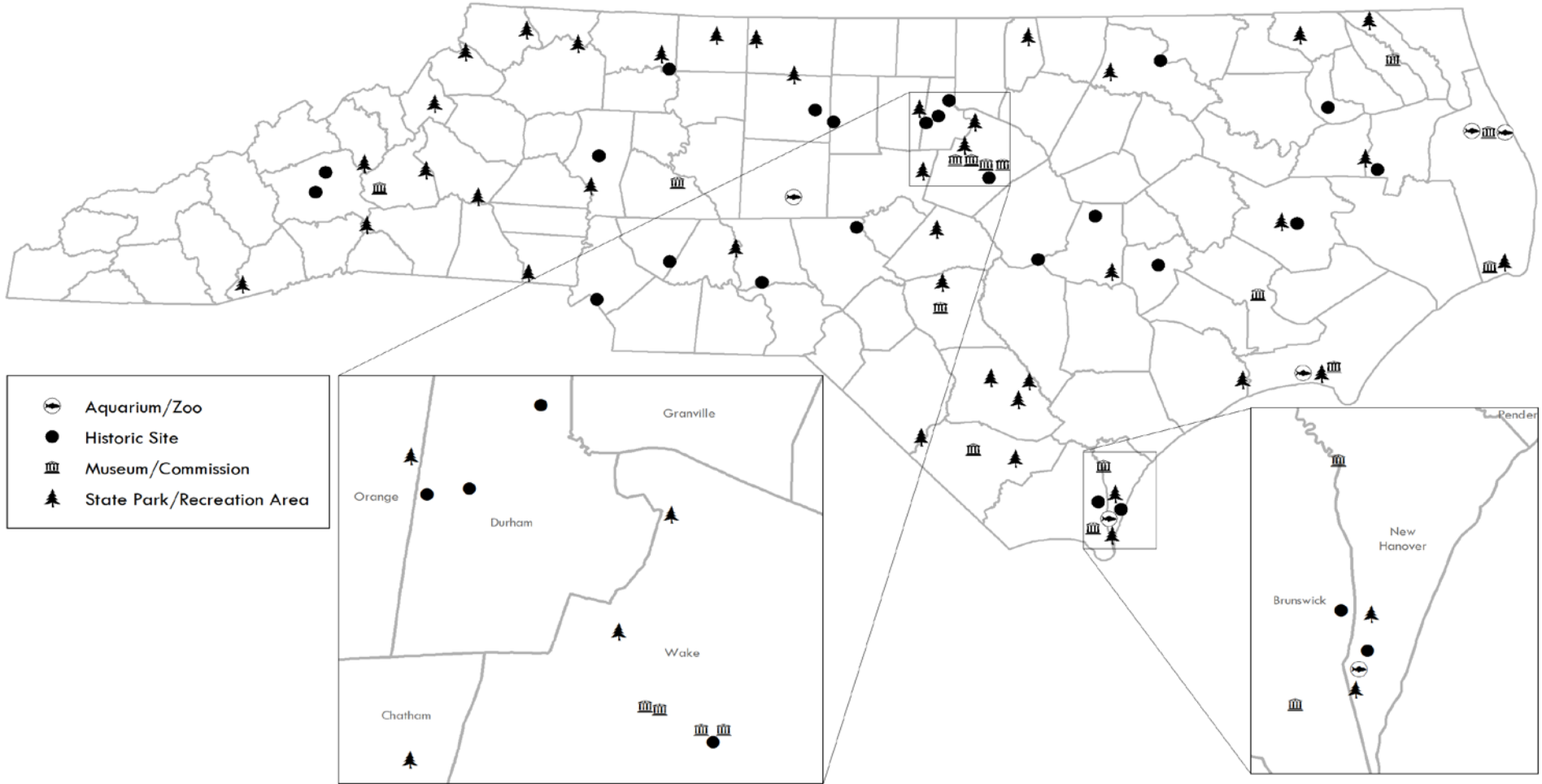
Subsequently, DCR

- implemented a mandatory public operating schedule of 9am-5pm from Tuesday-Saturday for all its sites,
- reduced the operation schedule at the Richard Caswell Memorial to two days per week,
- charged all sites with implementing a minimum of one revenue-generating program per year, and
- required each institution to conduct one survey per year to solicit feedback from visitors in order to identify ways to improve.

In addition, DENR raised the fees at aquariums from \$8 to \$10.95 (effective December 1, 2014).

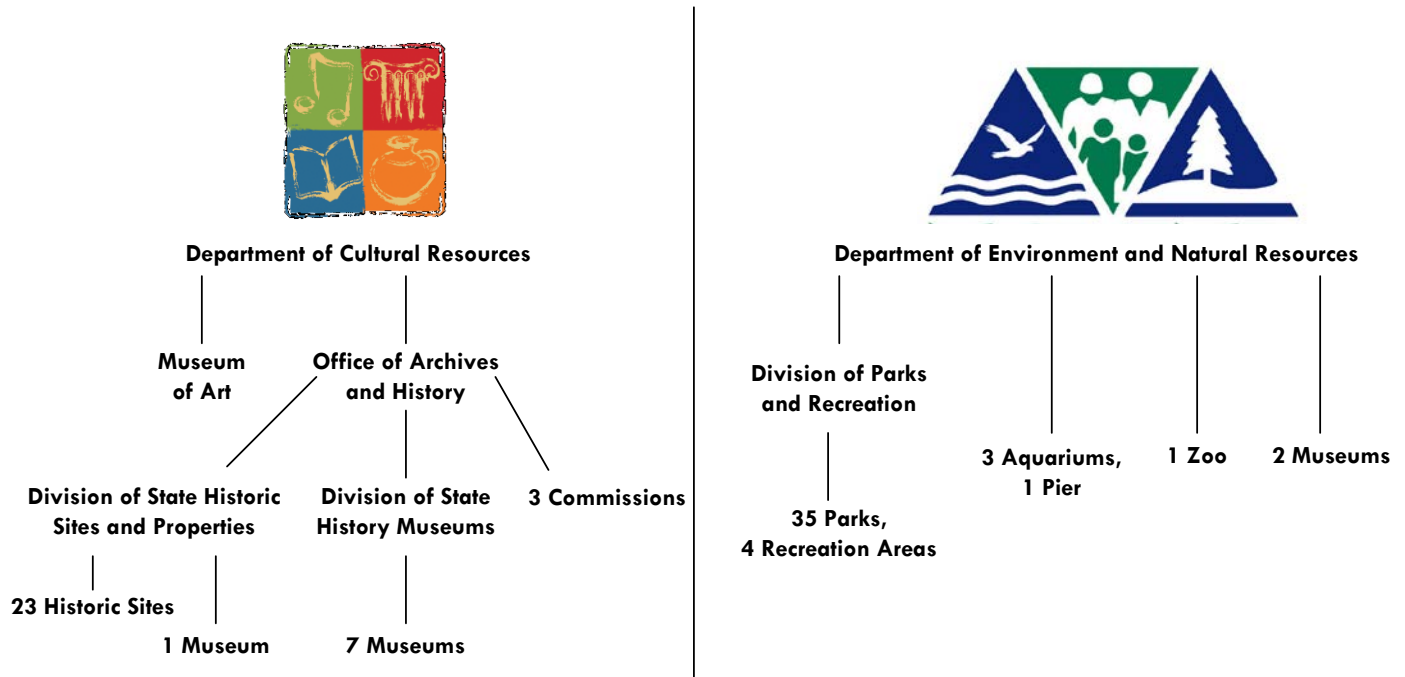
[continued on page 4]

# Exhibit 1: Location of State Attractions



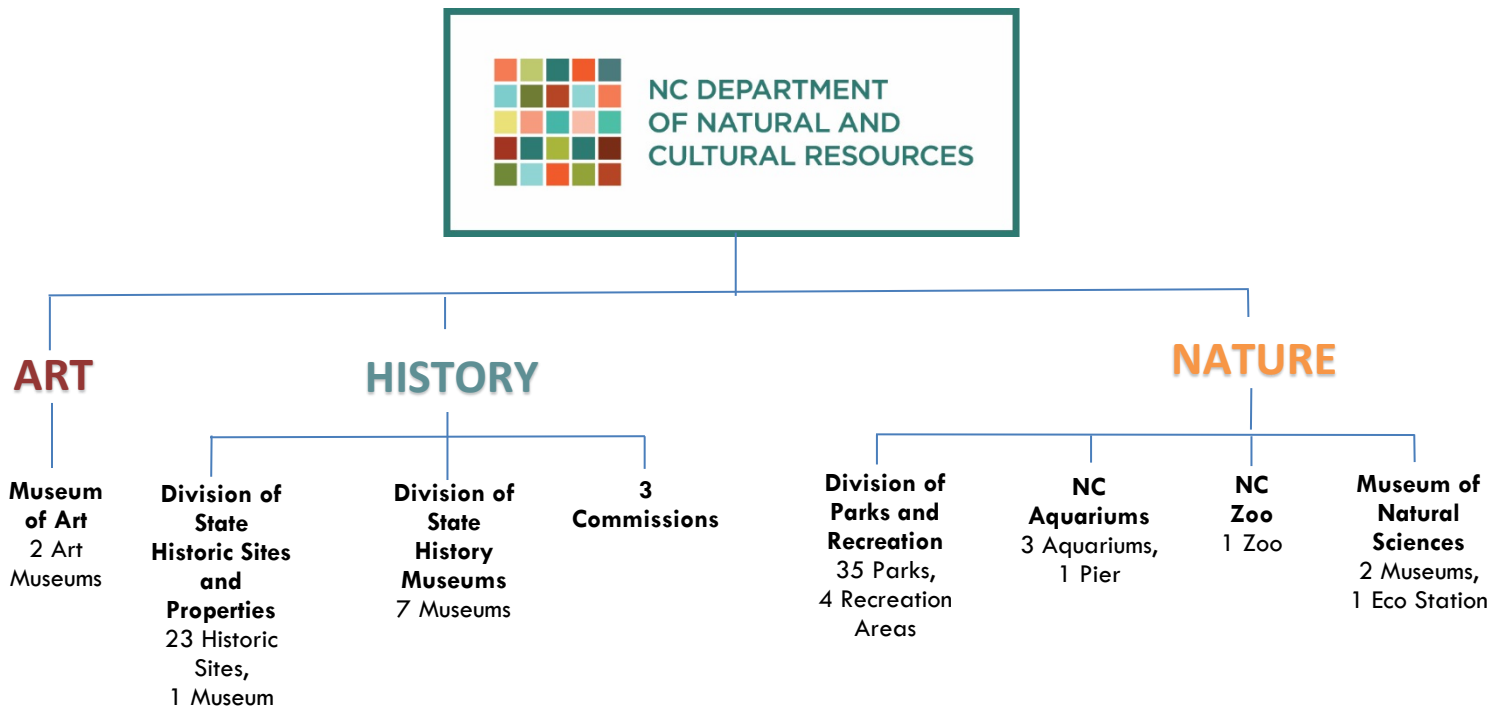
Source: Program Evaluation Division based on data from the Department of Natural and Cultural Resources.

## Exhibit 2: State-Level Administration of State Attractions, 2012



Source: Program Evaluation Division based on data from the Departments of Cultural Resources and Environment and Natural Resources.

## Exhibit 3: State-Level Administration of State Attractions, 2017



Source: Program Evaluation Division based on data from the Department of Natural and Cultural Resources.

[continued from page 1]

In March 2015, the North Carolina Government Efficiency and Reform program (NC GEAR) issued a report outlining potential cost savings in state government operations. The report's recommendations included expanding DCR to absorb the state zoo, aquariums, natural science museums, and parks system to provide collaborative management of all state attractions. The NC GEAR report estimated the Net Present Value of this realignment at \$41.2 million with a benefit-to-cost ratio of \$13.43.<sup>1</sup>

The 2015 Appropriations Act (Session Law 2015-241) directed that DCR be renamed the Department of Natural and Cultural Resources (DNCR, see Exhibit 3). Management of the zoo, aquariums, state parks, and Museum of Natural Sciences was transferred to DNCR from DENR, which was renamed the Department of Environmental Quality (DEQ) as part of the legislation.<sup>2</sup>

Additionally, the Appropriations Act authorized DNCR to use a "dynamic pricing strategy" for establishing admission fees and related activity fees for the state attractions under its purview. Session Law 2015-241 defined dynamic pricing as the adjustment of fees for admission and related activities from time to time to reflect market forces, including seasonal variations and special event interests, for the purpose of maximizing revenues from state attractions to the extent practicable to offset appropriations from the General Assembly.

Session Law 2015-241 also charged DNCR to report on the following topics:

- issues related to charging admission fees at the North Carolina Museum of History and the North Carolina Museum of Natural Sciences; and
- implementation of the new dynamic pricing strategy, including an evaluation of the feasibility and obstacles to charging new entrance or admission fees at other attractions.

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<sup>1</sup> Estimates were based on charging admission fees in the form of a "park pass" at state parks beginning July 1, 2015. However, Session Law 2015-241 prohibited charging admission and parking fees at sites that did not charge such fees at the time that the legislation was enacted.

<sup>2</sup> At this time, DNCR is unable to determine costs and savings from the realignment of state attractions.

DNCR's April 2016 report on issues related to charging admissions fees at the History and Natural Sciences museums projected a negative benefit-to-cost ratio due to

- a substantial decrease in attendance and public engagement,
- fundraising and visitor expectation challenges, and
- increased infrastructure costs.

The department instead wishes to remain committed to generating revenue through temporary exhibits, special events, programming, rentals, and the traditional retail outlets of restaurants and gift stores.

Since releasing its March 2016 report on dynamic pricing, DNCR has begun implementing the following strategies:

- increasing pricing during the peak season at sites with consistent and heavy visitation;
- offering price breaks to increase interest in sites during historically low visitation periods, to attract new audiences, or to partner with other organizations;
- decreasing pricing at sites undergoing renovations or those struggling with visitation for various reasons; and
- providing new fee-based activities at sites to bring in new sources of revenue.

Dynamic pricing offers DNCR a new tool for revenue generation. Subsequently, Session Law 2017-57 cut the appropriated operating budget of the Division of Parks and Recreation by \$374,224 because of over-realized receipts.



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