HB 2402 JOINT INTERIM TASK FORCE

FUNDING FOR FISH, WILDLIFE AND RELATED OUTDOOR RECREATION AND EDUCATION

REPORT TO OREGON LEGISLATURE
TRANSMITTAL AND EXECUTIVE SUMMARY

December 31, 2016
Members of the Oregon Legislature:

On behalf of the HB 2402 Legislative Task Force, we submit the following report for your consideration.

The Task Force for funding for Fish, Wildlife and Related Outdoor Recreation and Education was created by HB 2402 in the 2015 Legislative Session. We were charged with developing recommendations to strengthen the State’s ability to conserve natural resources and connect Oregonians to nature through outdoor recreation and education opportunities.

The Task Force was comprised of 17 members from throughout Oregon, four non-voting legislators and two ex officio members (Oregon Fish and Wildlife Commission Chair Mike Finley and Department of Fish and Wildlife Director Curt Melcher). We met twelve times from January through November 2016, and convened two groups to develop draft recommendations for full Task Force consideration.

Our report to you provides a summary of several thousand hours of hard work by very dedicated and caring Oregonians. We took our Legislative charge very seriously by:

1. Identifying and recommending potential alternative, sustainable funding sources for ODF&W.
2. Recommending potential budget adjustments to ensure relevant ODF&W program areas are funded in accordance with Legislative direction.
3. Recommending opportunities for ODF&W to better achieve its mission through leveraging, coordinating and budgeting funds from alternate and existing sources.

We contacted and received reports from other states on how their fish and wildlife agencies are funded. We conducted a statistically valid survey of Oregonians to ask their opinion on how fish and wildlife should be funded and what their impressions were of the agency. We developed stringent criteria to evaluate potential funding options. In other words, we have done our homework.

But, we did not stop there. We took our draft ideas on a road show and asked others for their feedback and ideas if we were on the right track. We listened carefully to what they had to say and incorporated their comments into this report. We talked to numerous groups such as the League of Oregon Cities, Association of Oregon Counties, Oregon Cattlemen’s Association, ODFW External Stakeholder Advisory Committee, Oregon Outdoor Recreation and Parks Association, leaders of the Oregon outdoor recreation community, Oregon Land Trust Alliance, Oregon Association of Conservation Districts, Oregon Conservation Network, Oregon Audubon Society chapters, African American Outdoor Association/Center for Diversity & the Environment, Northwest Sports Fishing Association, Oregon Hunters Association, Oregon Business Council/Oregon Business Alliance/Association of Oregon Industries, Oregon...
Restaurant and Lodging Association, Oregon Farm Bureau, Travel Oregon and others. We also provided updates on our draft recommendations to the Senate Committee on Environment and Natural Resources, House Committee on Agriculture and Natural Resources, and Coastal Caucus.

What we heard confirms the importance of acting now to address the increasing costs of conservation and management of fish, wildlife and habitat, as well as related recreational and educational opportunities. New and sustainable sources of revenue are needed to supplement existing funding and enable ODFW to better meet its statutory mission and Legislatively-assigned responsibilities. We also heard that Oregon’s future should not be limited by the traditional model of hunting and fishing fees, but by a more diversified source of revenues, which will allow a more holistic and equitable approach to fish and wildlife conservation, management, recreation and education. Our recommendation, however, are about much more than sustainable funding. Investing in the future is needed to ensure that our children and grandchildren can experience the natural world, to increase our understanding of the more than 700 species of fish and wildlife that make Oregon home, to improve fishing and hunting and reduce license fees that currently fund most conservation efforts, and to recognize our diversity by providing opportunities for all Oregonians to enjoy our rich outdoor heritage.

To respond to these challenges, we are recommending a new approach to sustainable, alternative funding for ODFW’s conservation efforts, an Oregon Conservation Fund dedicated to conservation, management, research, habitat improvements, administration, enforcement and other activities that protect, maintain or enhance the native fish and wildlife of the state. The Fund also provides for improved hunting and fishing opportunities, while eliminating planned license fee increases; expanded efforts to engage youth, underserved communities and diverse audiences in outdoor recreation activities; and a program to address ODFW’s deferred maintenance backlog. Our recommendations further include a funding need (or goal) and funding mechanisms that are sufficient, sustainable and responsive to increasing program costs over time.

We considered close to one hundred potential funding options and, after sifting the options through our strict criteria over many meetings, we offer for your consideration two options for you to begin the discussion with your colleagues. We know you have difficult decisions to make in the upcoming Legislative session. We stand ready to assist you in your efforts to achieve the three charges you gave us in moving HB 2402 from concept to action.

Respectfully Submitted,
EXECUTIVE SUMMARY

CHARGE

The Joint Interim Task Force on Funding for Fish, Wildlife and Related Outdoor Recreation and Education (Task Force), established by the 2015 Legislature through HB 2402, has been tasked to address the unfunded and increasing costs of conservation and management and related recreational and educational opportunities by identifying new, diversified and sustainable sources of revenue to supplement existing funding. In establishing the Task Force, the Legislature directed it to:

1. “Identify and recommend potential alternative, sustainable funding sources for the State Department of Fish and Wildlife that are consistent with the intent and purposes set forth [in section 1 of the bill].”
2. “Develop recommendations on whether adjustments are necessary to ensure that relevant department program areas are funded in accordance with the intent and purposes set forth in section 1[.]”
3. “Identify and recommend opportunities for the department to better achieve its mission and conservation program objectives through leveraging, coordinating and budgeting funds from alternative sources and existing sources[.]”

CHALLENGE

Population growth, development, infrastructure needs, drought, climate change, ocean acidification, and many other natural and human-made changes are placing new pressures on Oregon’s fish, wildlife, and wild places. Meanwhile, public attitudes, uses and demands related to the recreational and aesthetic value of fish, wildlife and habitat have changed, reflecting increased needs and public expectations around conservation, recreation, and education. At the same time, society is becoming disconnected from the natural world. This lack of connection with nature profoundly affects public health, our well-being, and the future of fish and wildlife in Oregon.

To date, conservation and management of fish, wildlife and their habitats have been funded primarily through the sale of hunting and fishing licenses and associated federal excise taxes. Over time, however, participation in hunting and fishing nationally and in Oregon has declined, and even when stabilized, these fee payers continue to be asked, through fee increases, to shoulder costs tied to a management regime that is increasingly complex due to today’s legal requirements, overlapping jurisdictions, and changing public demands and engagement with nature.

Today’s challenges facing fish, wildlife and habitat are not being met by the current funding model. The ever increasing complexity and cost of conservation and management must be shared by all Oregonians. Meeting these challenges requires new, diversified and sustainable sources of revenue to supplement existing funding. Doing so will ensure that Oregon is a leader in terms of fish and wildlife management and conservation.
Early in its deliberations, the Task Force concluded that a more holistic and equitable approach to fish and wildlife conservation, management, recreation and education is needed. A broader public understanding is needed of the benefits, funding challenges, and opportunities associated with ODFW and its programs, as well as opportunities for enhancing ODFW’s programs, partnerships, and fiscal sustainability. Specific consideration needs to be given to how diverse and underserved communities benefit from fish, wildlife and habitat-related conservation, management, recreation or education programs. This is increasingly important as Oregon’s demographics change. Opportunities should be considered for partnerships that leverage state investments with other public agencies, non-profits, the private sector, and landowners, including in areas that highlight connections between outdoor recreation, conservation, economic and educational benefits, public health, and tourism.

PROCESS

HB 2402 identified a wide variety of interests to be represented on the Task Force, including: hunting, fishing and conservation groups, outdoor recreation businesses, tourism industry, outdoor education, and diverse/underserved communities. The task force included four non-voting legislative members (Senators Edwards and Whitsett / Representatives Helm and Krieger); two ex-officio members (Oregon Fish and Wildlife Commission Chair Mike Finley and ODFW Director Curt Melcher); and 17 members appointed by the Governor. The majority of the Governor’s appointees had relatively little exposure to ODFW budget and policy issues or represented interests that have not traditionally been involved in those discussions. This broad cross-section was intended to bring new perspective to the funding issue that have confronted funding conservation and outdoor recreation for years.

Beginning in January 2016, the Task Force met at least monthly; its work included:

- Briefings on historic and projected funding for ODFW’s programs and Secretary of State audits of those programs.
- Research on conservation funding mechanisms in place elsewhere, including presentations from representatives of other states and the Association of Fish and Wildlife Agencies on successful funding models nationally.
- Briefing on legislation for sustainable conservation proposed by the Blue Ribbon Panel on Sustaining America’s Diverse Fish and Wildlife Resources convened by the Association of Fish and Wildlife Agencies.
- Contracting for a statistically-valid survey of 900 Oregon residents’ opinions on fish, wildlife and habitat values; ODFW management of those resources; the availability of and participation in fish and wildlife-related recreation opportunities, knowledge of how ODFW is funded; and other related topics. The survey confirmed the high value Oregonians place on conservation of the state’s fish and wildlife and opportunities for outdoor recreation. It also revealed a significant disconnect between these values (which are reflected in public support for ODFW and its mission) and the public’s understanding of how ODFW operates and the funding challenges the agency faces in the 21st century.
- Development of guiding principles to articulate the Task Force’s goals for alternative, sustainable funding for the State’s fish and wildlife program. As an underlying need, these Guiding Principles identified addressing the increasing costs of conservation and management and related recreational and educational opportunities by replacing the traditional model of funding.
conservation through hunting and fishing fees with new and sustainable sources of revenue that supplement existing funding and enable ODFW to better meet its statutory mission and Legislatively-assigned responsibilities.

- Defining tiers of funding need to meet Funding Objectives developed by the Task Force and an overall revenue target for any alternative funding option being considered.
- Development of criteria for assessing more than 100 alternative funding mechanisms identified by Task Force members and others.
- Through Working Groups, assessment of how potential funding mechanisms responded to the evaluation criteria and guiding principles, and development of specific programs to be funded through alternative funds.
- Outreach to more than 20 stakeholder groups and presentations to Senate and House committees to seek input on draft recommendations.
- Unanimous adoption of the recommendations below.

RECOMMENDATIONS

The following recommendations are organized to respond to the three tasks delineated in HB 2402. The Task Force notes that its funding recommendations have not been developed for the purpose of stabilizing or increasing ODFW’s budget, but rather enabling the agency to accomplish its mission to protect and enhance Oregon’s fish and wildlife and their habitats for use and enjoyment by present and future generations. The underpinning of these recommendations is:

*Establishment of an Oregon Conservation Fund dedicated to conservation, management, research, habitat improvements, administration, enforcement and other activities that protect, maintain or enhance the native fish and wildlife of the state.*

Task 1: Identify and recommend potential alternative, sustainable funding sources for ODFW.

1. Establish an Oregon Conservation Fund for the purposes described above, funded through an Oregon Income Tax Return Surcharge or a Wholesale Beverage Surcharge (details below). These funding mechanisms are recommended as the most viable alternatives to adequately finance the Fund based on evaluation criteria developed by the Task Force, especially that the funding be sufficient, sustainable and responsive to increasing program costs over time.

2. Through the Fund, dedicate to ODFW a minimum of $85.9 million/biennium in new revenues, with no reduction or reallocation to other programs of current General Fund or Lottery Fund revenues allocated to the Department. Dedicate the new revenues to:
   - Expanded conservation efforts = $46.7 million/biennium
   - Improved hunting and fishing opportunities/elimination of scheduled license fee increases = $21.3 million/biennium
   - Connecting Oregonians with the Outdoors = $8.3 million/biennium
   - Deferred Maintenance = $9.6 million/biennium

3. In addition to allocating additional funding to improving hunting and fishing opportunities, acknowledge the contribution of license fees to ODFW funding through program adjustments (see Task 2 below).
4. Develop monitoring and reporting programs based on specific metrics and routinely assess and report on funding outcomes.

5. In implementation of HB 3315, support the Department’s efforts to collect and analyze data on the costs of services provided to other state agencies, while acknowledging that insufficient information is available at this time to affect HB 2402 funding recommendations.

6. Support national legislation for conservation program funding developed by the National Association of Fish and Wildlife Agencies’ Blue Ribbon Panel.

Task 2: Develop recommendations on whether funding adjustments are necessary to ODFW program areas.

HB 2402 intent includes: “Prioritize actions and allocation of resources that provide for the long-term sustainability of the department and its ability to meet its mission.” While the Legislation can be interpreted to suggest a detailed review of specific ODFW programs and its associated budget allocations, the Task Force believes that such a micro-review is beyond the scope of its assignment and more properly the purview of the Fish and Wildlife Commission and the Legislature. Given the abbreviated timeframe established in HB 2402 for delivery of its recommendations to the Legislature, the Task Force has chosen to concentrate its energies on identification of alternative, sustainable funding, which it believes HB 2402 clearly establishes as its primary and priority assignment. At the same time, comprehensive program adjustments are inherent in the identified funding need and recommended allocations of alternative funding, the most significant being to allocate more than half of new alternative funding to expanded conservation efforts. In addition, the Task Force is recommending the following program adjustments to address the Legislative intent in HB 2402:

Programmatic Adjustments Generally

1. In conjunction with establishment of the Oregon Conservation Fund, establish an oversight process for ongoing review of the Department’s allocation of resources and for monitoring of Fund spending in accordance with the Department’s mission and these Task Force recommendations.

Expand Conservation Efforts (55% of funding target)

2. Expand and improve the agency’s conservation efforts, with implementation of conservation programs and strategies identified in the Oregon Conservation Strategy and Nearshore Strategy as a priority use of alternative funding.

3. Increase funding for science, research, monitoring and inventories of species and habitat to fill data gaps.

4. Increase investments in data management, analysis and distribution.

5. Increase efforts to restore ecosystems to resiliency.

6. Expand enforcement of laws to protect and conserve natural resources.

7. Expand conservation partnerships and dedicate a portion of new alternative funds for grants for on-the-ground conservation projects.

Improve Fishing and Hunting (25% of funding target)

8. Eliminate authorized second and third phases of license fee increases.
9. Index future license fee increases to the cost of inflation or other similar measure.

10. In consultation with hunting and fishing interests, target the use of new funding to improved hunting and fishing opportunities and to marketing those opportunities.

11. Develop specific programs to provide additional fishing opportunities for urban and underserved communities, including but not limited to expanded fish stocking and new stocking locations.

12. Secure additional and improve existing public fishing and hunting access and supporting infrastructure.

13. Expand and improve research, monitoring and management of both game and non-game species.

14. Expand collaborative efforts to improve and restore fish and wildlife habitat.

15. Expand enforcement of fish and wildlife regulations, focusing on areas currently with limited enforcement presence.

**Connect Oregonians with the Outdoors (10% of funding target)**

16. Expand and improve current communications and public outreach programs, focusing on underrepresented communities and urban areas.

17. Develop additional wildlife viewing opportunities and facilities.

18. Assess what communications and outreach efforts are better conducted by private and non-profit entities rather than by the Department.

19. Expand and develop new conservation education programs.

20. Develop a more comprehensive social media strategy that includes communication with a broader audience through the latest technologies.

21. Expand localized outreach efforts, such as staff presence at public events, providing content in multiple languages, and partnering with key influencers to encourage participation.

22. Build an internal culture and capacity to improve connections to diverse and underserved communities through a strong human resources program.

**Deferred Maintenance (10% of funding target)**

23. Adopt a multi-biennial bonding approach to addressing deferred infrastructure needs.

24. In the first biennium following Fund implementation, conduct a thorough assessment to determine more accurate deferred maintenance funding needs.

**Task 3: Identify and recommend opportunities for leveraging, coordinating and budgeting funds from alternative and existing sources.**

1. Pursue landscape-level, cooperative efforts modeled after the Mule Deer Initiative that accomplish multiple conservation objectives.

2. Expand volunteer education partnerships such as the Hunter Education program.

3. Investigate establishing a recreation and education partnership among agencies that reduces redundancies and improves connections to the public.

4. Pursue partnerships with the academic community to coordinate conservation research.
5. Continue to partner on projects to improve or restore habitat with public and private entities that own or manage land.

6. Pursue opportunities to coordinate with the outdoor recreation community.

DESCRIPTION OF FUNDING MECHANISMS

After assessment of more than 100 funding options, the Task Force has concluded that two funding mechanisms for the Oregon Conservation Fund -- an Oregon Income Tax Return Surcharge or a Wholesale Beverage Surcharge -- are the most viable alternatives to adequately finance the Fund at the revenue target of $85.9 million/biennium, based on evaluation criteria developed by the Task Force.

Projected revenue generated is based on adjusting to a first biennium that is 18 months long to match the revenue start date. Consequently, the projected revenue in the second biennium more closely matches the funding needed for the second biennium. Calculations include a roll back of the second and third tiers of planned hunting/fishing license fee increases.

1. OREGON INCOME TAX RETURN SURCHARGE

Description

Surcharge on individual (non-corporate) tax returns based on percentage of taxable income, with the following considerations:

- Projected revenue is based on the number of returns filed (either individual or joint returns).
- An exemption for low income filers is assumed. Low income is defined as an Oregon tax return adjusted gross income less than $20,000 and EITC exempt.
- Apportionment for out-of-state and partial year tax filers is required in order to be constitutionally valid. This apportionment will automatically occur as part of the calculation of taxes.

Funding Simulation

<table>
<thead>
<tr>
<th>Estimated Income Tax Return Surcharge Needed to Meet Funding Goal</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Generated (2017 – 2019 Revenue*)</td>
<td>$65M ($86.9M)</td>
</tr>
<tr>
<td>Surcharge with low income exemption (&lt;$20K AGI and EITC Exempt)</td>
<td>.62%</td>
</tr>
</tbody>
</table>

* The first number is for 18 months of the biennium (January 2018 – June 2019); the number in parenthesis is for the full two-year biennium.

<table>
<thead>
<tr>
<th>Estimated Income Tax Return Surcharge Needed to Meet Funding Goal by Type of Return</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surcharge</strong></td>
<td>.62%</td>
</tr>
<tr>
<td><strong>Family of four</strong></td>
<td></td>
</tr>
<tr>
<td>25K income</td>
<td>$0</td>
</tr>
<tr>
<td>50K</td>
<td>$17.64</td>
</tr>
<tr>
<td>75K</td>
<td>$29.47</td>
</tr>
<tr>
<td>100K</td>
<td>$42.08</td>
</tr>
<tr>
<td>150K</td>
<td>$69.98</td>
</tr>
<tr>
<td><strong>Married, filing jointly, no dependents</strong></td>
<td></td>
</tr>
<tr>
<td>25K</td>
<td>$5.98</td>
</tr>
</tbody>
</table>
2. WHOLESALE BEVERAGE SURCHARGE

Description
Percentage rate surcharge assessed at the wholesale level on beverages subject to the Bottle Bill on 1/1/17, with the following considerations:
- Applied to the cost of a beverage, rather than as an addition to the beverage container redemption deposit for those products subject to the Bottle Bill on 1/1/17.
- Revenue projections include products that are being added to the bottle deposit system on January 1, 2018.

Funding Simulation

<table>
<thead>
<tr>
<th>Estimated Beverage Surcharge Needed to Meet Funding Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2017 – 2019 Revenue</strong>*</td>
</tr>
<tr>
<td>Funding Generated</td>
</tr>
<tr>
<td>Beverage Surcharge</td>
</tr>
</tbody>
</table>

* The first number is for 18 months of the biennium (January 2018 – June 2019); the number in parenthesis is for the full two-year biennium.

<table>
<thead>
<tr>
<th>Estimated Effects of Beverage Surcharge on Wholesale Cost of Beverages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surcharge</td>
</tr>
<tr>
<td>Increase in price of 6 pack of soda</td>
</tr>
<tr>
<td>Increase in price of 6 pack domestic beer</td>
</tr>
<tr>
<td>Increase in price of 6 pack of microbrew beer</td>
</tr>
</tbody>
</table>