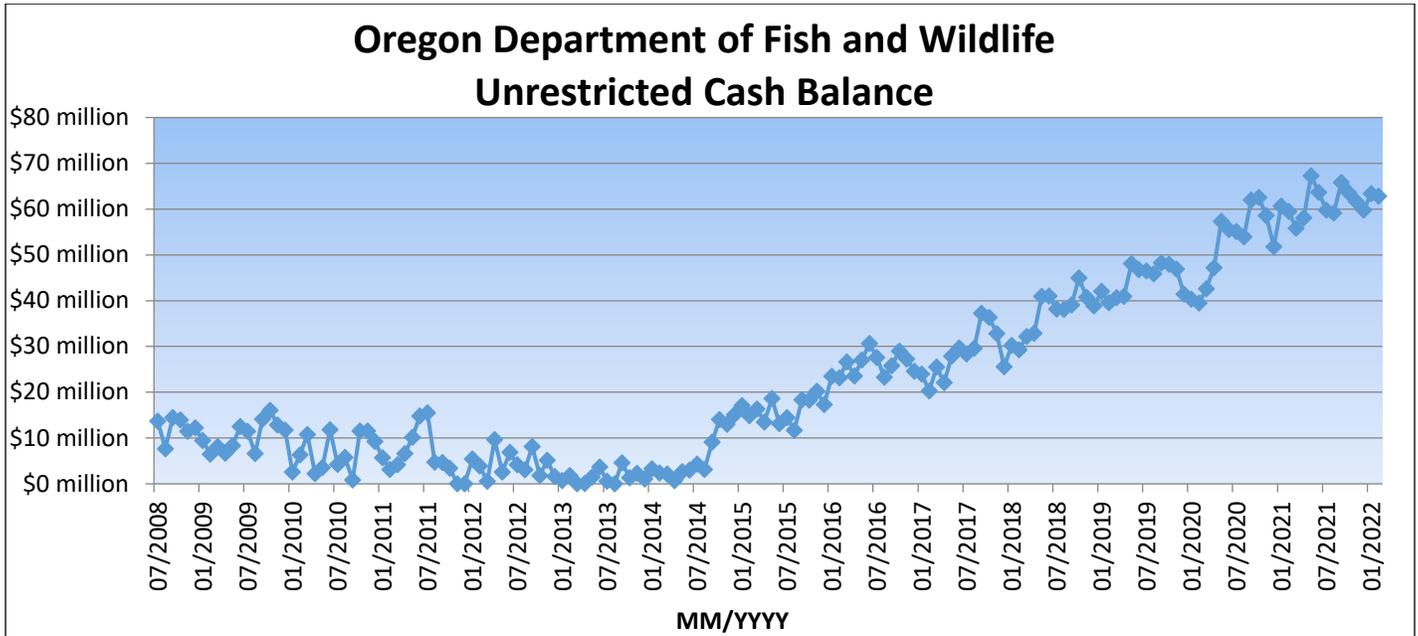




## License Fund Balance Review

2023-25 Budget Development, March 2022



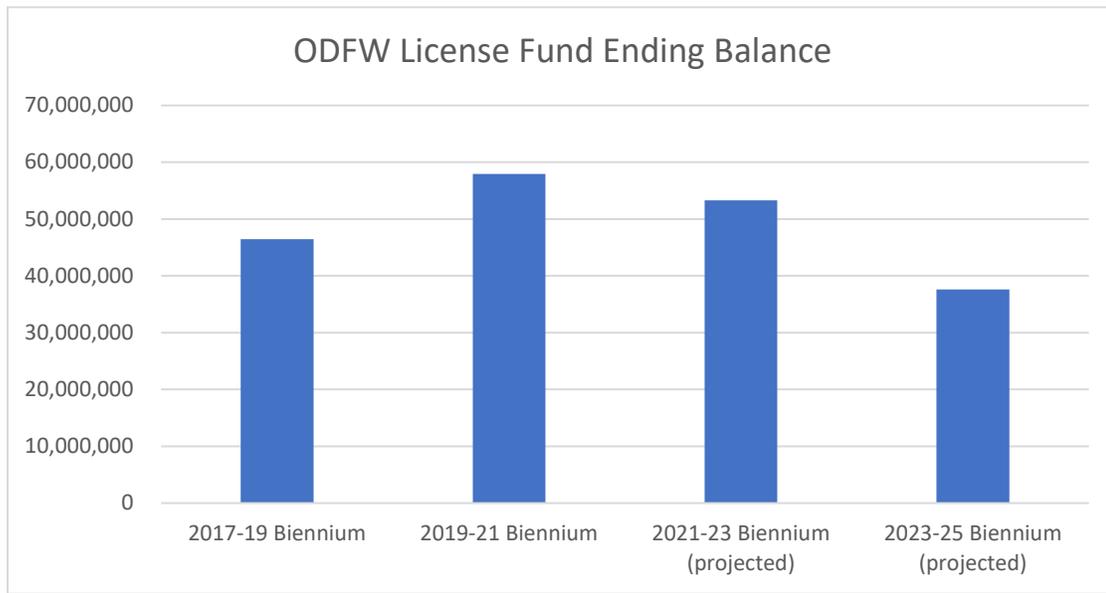
Unrestricted cash is a metric that measures how many months of operating expenditures could be covered, with that available cash, assuming no additional revenue. Operating expenses consistently need to be covered throughout the year. Current regular monthly operating expenditures (*excluding dedicated funds*) for Oregon Department of Fish and Wildlife (ODFW) are approximately \$12.8 million.

**ODFW's license fund balance is the starting point and the largest component of the agency's unrestricted cash.**

For ODFW, indirect revenue from grants is another contributing revenue stream to unrestricted cash. ODFW uses a blend of license revenue and indirect revenue to cover program costs within the Administration divisions.

The life cycle of accounts receivable for federal and non-federal contract/grant billings also affects the unrestricted cash measure. When an accounts receivable is created for a reimbursement billing, that receivables posting places a temporary "hold" on license funds. When the contract or grant entity pays that receivable, the temporary "hold" is released. This hold restricts the use of the funds, so any funds under a temporary hold are not calculated as available unrestricted cash.

In terms of cash management, ODFW, as a state agency, faces similar risks that nonprofit organizations do, such as variability in revenue streams, and reliability on federal funding. Industry standards and best practices for nonprofit organizations recommends a minimum operating reserve amount to cover 3 months of regular operating expenses. Analysis of agency-specific risks related to revenue and spending variability would then be needed to calculate the target for additional operating reserve balance for the agency. Again, industry standard sets this typically at or above 6 months of regular operating expenses.



ODFW current operating reserve needs:

5 months = \$63 million

4 months = \$50 million

3 months = \$37 million

ODFW experiences variability with its license revenue attributable to multiple factors, many of which are difficult to predict, including seasonal customer participation, weather on the weekends, health of salmon runs, and changing ocean conditions that affect fisheries.

ODFW relies on federal entities to help pay for many of the agency's operating expenses. The federal government's budget processes can face delays, which would in turn affect the agency's federal contract/grant revenue receivables. Routinely, there is time lag, sometimes multiple months, between ODFW's expenditures under federal and non-federal contracts/grants and reimbursement from the funding entities.

ODFW carries sizable debt obligations from XI-Q bond funding secured to address critical deferred maintenance needs at agency facilities around the state. Currently, ODFW relies on legislative approval of General Fund to cover costs to repay this debt. If General Fund is not consistently available, due to statewide economic conditions, ODFW could rely on its license fund balance to meet debt obligations in the short-term, without impacting current operations. This would allow time for the agency to strategically plan how to continue to cover its debt obligations.

Maintaining its license fund balance can help ODFW proactively and strategically respond to unexpected situations that may arise. Unplanned or emergency expenditure needs may need to be addressed. Having sufficient license fund balance can support ODFW in responding to the need, without immediately impacting current business operations.