

August 14, 2014

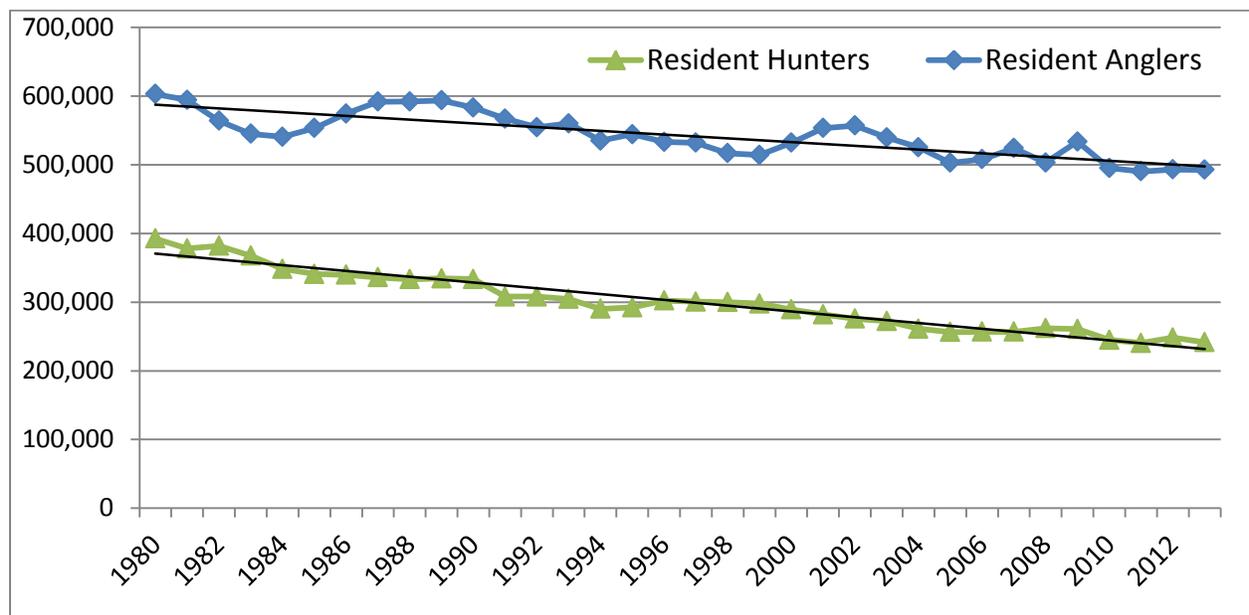
Questions and Answers about ODFW 2015-17 budget and fees

In August, the ODFW approved the department's proposed 2015-17 budget and forwarded the proposal to the Governor's Office for consideration. If approved by the Governor, the budget and fees will be considered by the legislature in the 2015 session.

As the department developed its budget, it projects future expenses and revenue. Those projections forecasted a significant gap between projected expenses and revenues. Operating and personnel costs are projected to continue to rise due to inflation while our revenues are expected to remain relatively flat. This is not unexpected. The department last raised fees in 2010 and said that another fee increase would be necessary in 2016.

A major factor affecting the short and long term outlook for the department is hunting and fishing participation trends. While we've seen leveling out in recent years, hunting and fishing participation is at the lowest levels in the last 30 years.

Resident hunting and fishing license trends from 1980 to 2013.

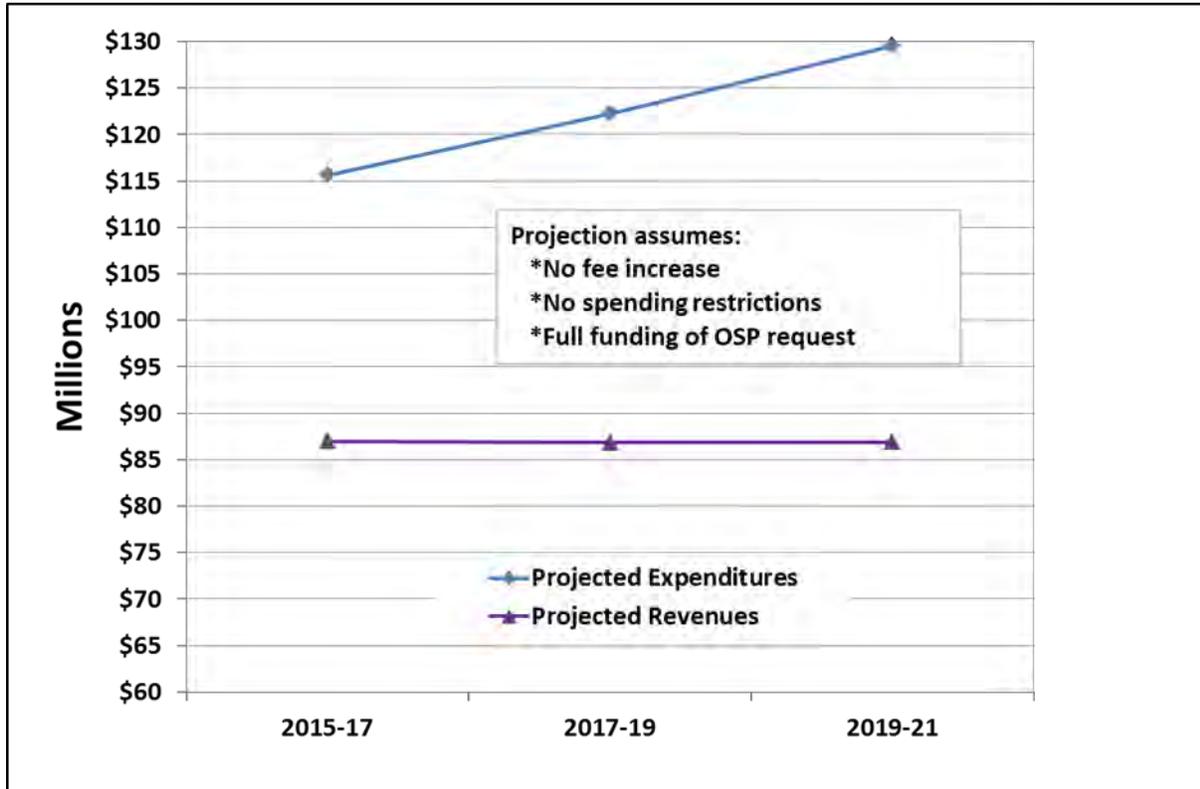


Several other factors are putting short term and long term pressure on the department budget, including lower than projected revenue from the 2010 fee adjustments, issues with federal funding, unanticipated expenses due to legislative action, and state agency fees.

We project a significant gap between expenses and revenue in the 2015-17 biennium and beyond unless action is taken to reduce costs and increase revenue. This projection is based on several assumptions, including increased costs due to inflation, no additional revenue from license sales or other sources, and

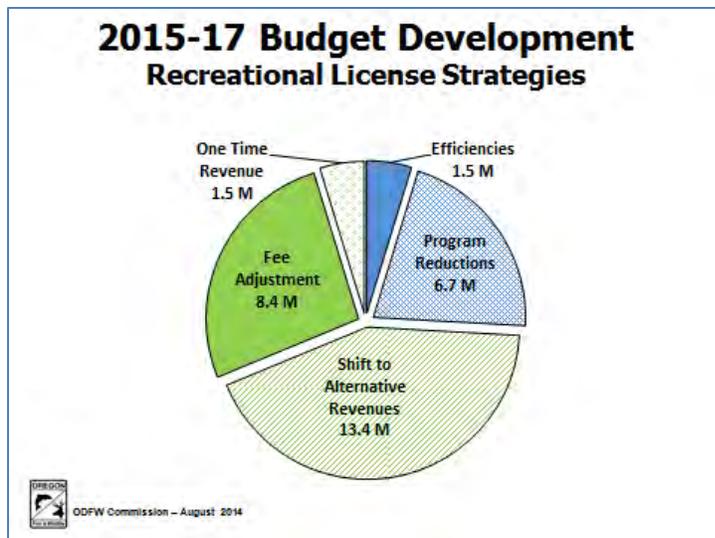
fully funding Oregon State Police Fish and Wildlife Division budget request. For the 2015-17 biennium, we project a \$32-million gap between expenses and revenue.

Projected recreational license expenditures and revenues over the next three biennia (not including dedicated funds).



As the department developed its budget proposal, we determined that we could not cover the gap simply by increasing license fees. This would require more than a 60-percent across the board fee increase. Such a large fee increase would likely drive people to quit hunting or fishing and would result in a greater decline in overall license sales. Also, any fee increase must be approved by the Commission, Governor and legislature.

The proposed budget was developed using a number of strategies to reduce costs and increase revenue. To increase revenue, the department is proposing a moderate increase in fees for recreational, occupational, and commercial licenses, tags and permits. The recreational license fee adjustment will be phased in over three biennia. The increase is projected to be about \$2.50 for a hunting license and about \$5 for a fishing license in 2015-17. The department will also seek funding from general tax dollars and other sources in order to reduce the demand on license dollars. The proposal also includes a one-time use of funds from the deferred maintenance account to help balance the budget in 2015-17.



What is being done to reduce costs?

The department is pursuing two strategies to reduce costs – identifying efficiencies and reducing license spending on programs and personnel. As part of the budget proposal, the department expects to reduce costs by \$8.2-million through program reductions, personnel cuts and increased efficiency.

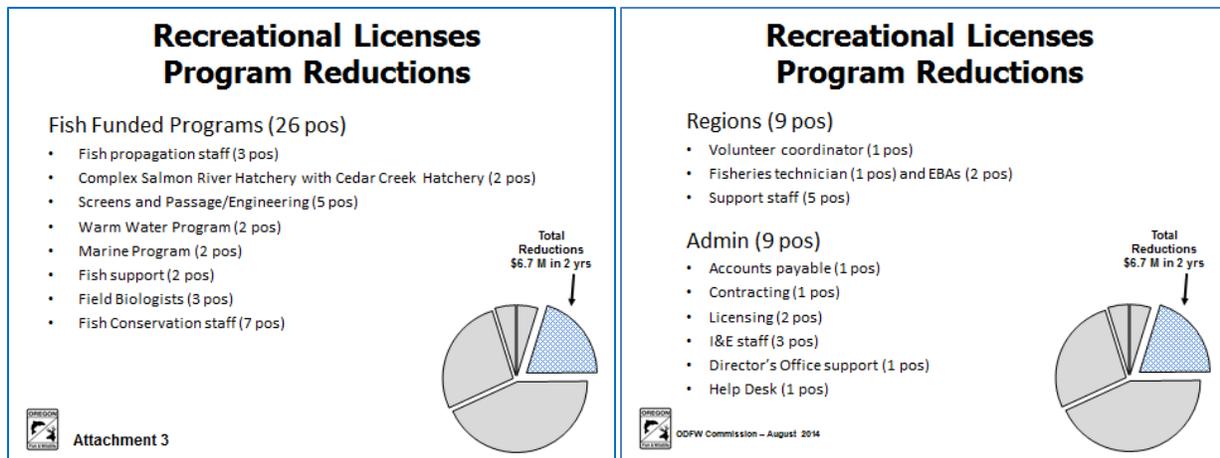
Many of the cost saving measures were generated by ODFW staff and are included in the department budget proposal.

The department expects to reduce costs by approximately \$1.5-million in 2015-17 through increased efficiencies, including:

- Revising how we produce printed regulation booklets. Every year, the department recycles thousands of excess regulation booklets. Reducing the size of the order will lower costs for printing, storing and distributing excess regulation booklets. Reducing the number of pages in the regulations will generate additional savings. Additional revenue from advertising in the regulations will reduce costs even further. These changes are projected to save \$95,000 in the 2013-15 biennium and \$375,000 in the 2015-17 biennium.
- Reducing overall travel costs by turning in excess vehicles, consolidating vehicle use, reducing travel for conferences, meetings and other purposes. A 15% reduction in license funded travel is projected to save more than \$300,000 in the 2013-15 biennium and \$500,000 per biennium in the future.
- Reducing regional administrative costs by consolidating four regions into East and West regions. This will save more than \$300,000 in the 2013-15 biennium and \$450,000 per biennium in the future while minimizing the disruption for our customers and staff.
- Reducing costs associated with hatchery fish food will save an estimated \$20,000 in the 2013-15 biennium and \$45,000 in the 2015-17 biennium.

- Reducing IT costs by eliminating excess phone lines, faxes, desktop phones, copiers and reducing the number of printers, computers and cell phones, and other actions. This is projected to save an estimated \$200,000.

The department proposal includes \$6.7-million in program reductions which will affect 44 license funded positions. This reduction will affect about 6% of the positions in the headquarters office and about 2% of the positions in field offices. These reductions are difficult, but essential to developing a sustainable budget. Since more than half of the total budget is spent on personnel costs, we cannot significantly reduce program costs without eliminating positions. The reductions are included in the 2015-17 department budget, which will not be final until mid-2015. The budget proposal is likely to change due to action by the Governor and legislature. Any adjustments to the proposal, such as restoring proposed budget cuts or reducing the request for additional fees or general funds, must be offset in order to maintain a balanced budget for the department.



What is being done to increase revenue?

The department is pursuing a number of strategies to increase license fees, sell more licenses and secure other funding for department activities.

The 2015-17 budget package includes a proposal for a modest increase in the price of recreational and commercial licenses, tags and permits. The increase in license fees will be phased in over three biennia. This is a different strategy than has been used in the past, in which fees were increased significantly once every six years. License sales declined after each of these increases. Customers were surveyed in 2013 about their preference regarding future fee increases. Nearly 60-percent of resident hunters and anglers supported more frequent but smaller fee increases. The proposal reflects that feedback.

Recreational Licenses Fee Adjustment/Restructuring

Resident	Current	2016	2018	2020
Hunting	\$29.50	\$32	\$33.50	\$34.50
Fishing	\$33	\$38	\$41	\$44
Deer	\$24.50	\$26.50	\$27.50	\$28.50
Elk	\$42.50	\$46	\$48	\$49.50
Angling Tag	\$26.50	\$35	\$40.50	\$46
Combination	\$58	\$64	\$68	\$72
Sports Pac	\$164.75	\$180	\$188.50	\$196
Controlled Hunt Apps	\$8	\$8	\$8	\$8



Attachment 4

Price includes all vendor fees.

Raising the cost of hunting license \$2.50 and fishing licenses \$5, along with other increases, is projected to generate \$8.4-million in 2015-17. Fees for controlled hunt tag applications and youth licenses, including the Juvenile Sports Pac, will not be increased.

With the proposed increase, resident anglers would pay an average of 31-cents more per day to fish for trout and 84-cents more per day for salmon or steelhead. Hunters would pay an average of 38-cents more per day to hunt deer and 50-cents per day to hunt elk in 2016.

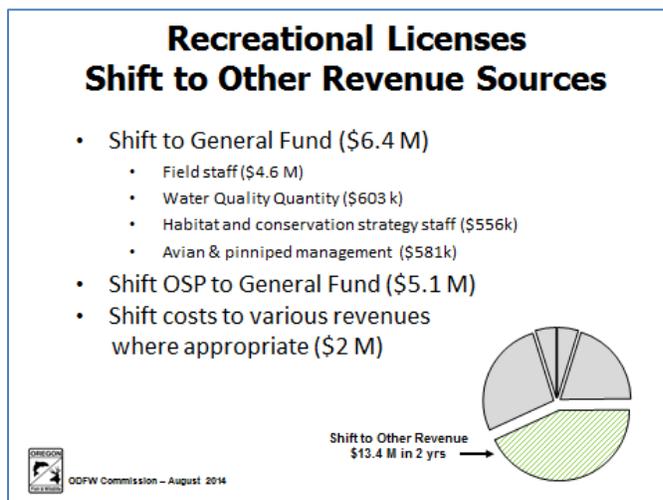
The department proposal also includes new licenses, combinations and packages that are expected to increase license sales and generate additional federal revenue. These proposals are based on hundreds of ideas from the public and staff through surveys, focus groups and other discussions. Late last year, resident and non-resident hunters and anglers were surveyed to get their opinion on some of these ideas.

The new proposals include:

- \$10 juvenile license for youth 12-17. The new, reduced cost license will allow resident and non-resident youth 12-17 to fish for all species, except for salmon/steelhead/sturgeon, crab, clam, and to hunt for all game animals not requiring the purchase of an additional tag or validation. Salmon/steelhead, waterfowl and upland bird hunting privileges may be added for a nominal fee. Multi-year hunting, fishing, or combination licenses valid for three or five years. Vendor fees will be charged for only one year for the license, reducing the cost of the license. Additionally, purchasers will be able to lock in the current price for three or five years.
- Ocean endorsement (\$10) will be required to fish from a boat in the ocean. The endorsement will allow anglers to fish for all marine finfish except salmon. Salmon anglers must also purchase a combined angling tag. This endorsement will provide revenue for managing marine sport fisheries.

- A \$6 fee for Pioneer combination licenses. The license is currently free for Oregon residents at least 65 years of age who have lived in Oregon for at least 50 years. Charging for the Pioneer license will allow the department to collect approximately \$14 in federal funds for each Pioneer license that can be used for fish and wildlife management. Currently, ODFW issues about 53,000 Pioneer licenses per year. That number is expected to increase as the population ages. The proposal was supported by all age groups, including those 65 and older, in a survey of resident and non-resident fishing and hunting license buyers.
- Non-resident Combined Angling Tag. The \$55 tag will be required for non-residents wishing to fish for salmon or steelhead. In addition, the price of the non-resident fishing license will be reduced to \$96. Non-residents wishing to fish for steelhead or salmon must purchase both the non-resident license and the non-resident Combined Angling Tag. The department saw a significant decrease in non-resident fishing license sales when the fee was raised to \$106.50 in 2010. Lowering the price is expected to generate additional revenue from non-resident trout anglers while the \$55 Combined Angling Tag is expected to be attractive to salmon and steelhead anglers.
- Raffle for unique fishing opportunities (\$8). Successful draw would receive one of a limited number of tags to harvest a single sturgeon on the Willamette at any time during the calendar year. Other opportunities may be added at a later time.
- Premier hunt tag raffle will provide residents and non-residents the opportunity to apply for additional hunting opportunities in addition to regular controlled hunts. For \$8, hunters will be able to apply for extended hunts for deer, elk and antelope in specific units. This hunt series will not be eligible for preference points.

The department proposal also seeks general tax dollars for law enforcement and other programs that benefit all Oregonians. In addition, the department proposes to shift some programs to other revenue sources where appropriate. The budget proposal recommends shifting a total of \$13.4-million of program costs to General Fund or other funding.



Shifting the cost of programs that benefit all Oregonians to General Fund ensures that everyone – not just hunters and anglers – share the cost of managing Oregon’s fish and wildlife. The department proposes to shift approximately \$6.4 million of its current programs to General Fund. ODFW biologists spend a considerable amount of time reviewing permits, proposals and other projects that provide significant environmental benefit to the state. In some areas, these activities may account for up to 80% of their time. Additionally, the department provides critical staff support for a number of statewide priorities, including initiatives related to climate change, sustainability, energy, invasive species, avian and pinniped predation, water quality and water quantity. This work benefits everyone in the state by making economic development possible while still protecting Oregon’s fish and wildlife. Currently, these costs are covered primarily by license dollars. Stakeholders have repeatedly urged the department to seek General Fund revenue for these activities to reduce the impact on license dollars.

Additionally, the department proposes shifting \$5.1 million of the costs for Oregon State Police Fish and Wildlife enforcement back onto General Fund. OSP Fish and Wildlife troopers do more than enforce game laws. They respond to traffic accidents, crime scenes and perform general law enforcement duties. Previous legislative action shifted more of the cost of OSP on to license dollars to reduce General Fund spending during the economic downturn. The department proposes returning to more historic levels of General Fund support for OSP.

With the proposed shift, General Fund would provide 10% of the agency budget. This is consistent with historic General Fund support for ODFW programs.

The 2015-17 budget proposal keeps fishing and hunting affordable and it shares the cost of managing Oregon’s fish and wildlife. For every additional dollar from hunters and anglers, spending is being cut by a dollar. For every new hunter/angler dollar, all Oregonians will contribute \$1.50 to help the fish and wildlife we all enjoy.

Why did ODFW consolidate regions?

The department consistently reviews vacant positions to determine whether they should be refilled, revised or eliminated. This review ensures that the department uses positions and funding as effectively as possible. With the retirement of some senior managers, the department took the opportunity to restructure the organization in order to reduce administrative costs with the intent of minimizing the impact on customers or staff. Consolidating the four regions into an East and West Region will reduce administrative costs by more than \$300,000 in the current biennium and \$450,000 per biennium afterwards. The consolidation maintains the existing watershed structure and the change should be transparent to customers and stakeholders.

How did the department develop the 2015-17 budget proposal?

The budget was developed through an extensive public process involving stakeholders, internal work teams, Commissioners, legislators and the Governor’s Office.

2015-17 Budget Development Public Input

- **Focus Groups and Survey** – More than 17,000 responses from anglers and hunters
- **External Budget Advisory Committee** – 50 stakeholder groups; 5 meetings to date
- **Town hall meetings** – 290 members of the public attended; 8 meetings statewide
- **Written Comments** – 175+ written comments



ODFW Commission – August 2014

In March, the department began meeting with the External Budget Advisory Committee (EBAC) to refine the budget proposal. EBAC includes representatives of sports groups, industry and other interested parties and historically has helped build legislative support for the department budget. In May, eight Town Hall meetings were held throughout the state to gather public input on the budget proposal and fees. The Commission approved the final budget proposal in August and submitted it to the Governor for consideration. If the Governor concurs, the budget proposal and fee package will be presented to the Legislature to consider in the 2015 legislative session. There will be ample opportunity for public input on the budget proposal as it moves through the process.

Did moving the headquarters building affect the department budget?

Moving the headquarters building in Salem saves the department about \$1 million per biennium compared to the lease payments at the Cherry Avenue location. Due the circumstances of the original move from Portland to Salem, the lease terms for the Cherry Avenue building were not favorable to the department. The lease rates were above market rate and continued to inflate over time. In 2011, the department and commission realized it must control these costs and aggressively pursued the acquisition of a permanent headquarters. To that end, the legislature authorized the department to borrow \$16-million dollars to secure a long-term loan for the new headquarters building. The cost of the loan payment is close to \$1 million less per biennium than the rent the department was paying. In addition to these savings, the department does not have to pay to lease warehouse storage space in Salem since the new headquarters has three times the storage that was available at Cherry Avenue. Ultimately, the new headquarters building will also be a source of revenue for the department since there is about 10,000 square feet of space that can be rented to other agencies which could generate \$200,000 in income per biennium.

Why are we proposing to charge for a Pioneer Combination license?

ODFW receives federal funds for every hunting and fishing license sold (about \$7 from Pittman-Robertson for a hunting license and \$7 from Dingell-Johnson for a fishing license.) Since Pioneer Combination licenses are free, the department does not receive approximately \$14 in federal funds. In

2013, the department issued about 53,000 Pioneer licenses. About one-third of the Pioneer license holders purchased a deer or elk tag, combined angling tag or another permit or tag, which allowed them to be counted for federal funds. In order to count the remaining Pioneer Combination licenses for federal funds, the department must charge at least \$1 per license more than the cost of issuing the license. Charging a \$6 fee for the Pioneer Combination license would allow the department to capture about \$1-million per biennium in federal funds for use for fish and wildlife management.

Charging for the Pioneer Combination license helps offset some of the revenue lost when an individual qualifies for a Pioneer Combination license. Using current prices, the department loses up to \$72 in revenue when a person switches from a paid combination license to the free Pioneer Combination license (\$58 for the license and \$14 in federal funds.) In 2013, the department issued 53,000 Pioneer Combination licenses. This number is expected to increase as the population ages.

Under this proposal, Pioneer Combination licenses would be substantially discounted from regular price combination licenses (\$64 in 2016.)

This concept was supported by a majority of every age group in a 2013 survey of nearly 60,000 resident and non-resident hunters and anglers. Opposition to the charge increased with age with 46% of seniors saying they would not support such a measure vs. only 22% opposed in the 18 to 24 year old age group.

Support for nominal charge for Permanent Pioneer and Disabled Veteran licenses, by age

<u>Age</u>	<u>Yes, I would support</u>	<u>No, I would not support</u>	<u>Don't know</u>
18 to 24	55.0%	22.4%	22.6%
25 to 34	59.1%	26.5%	14.3%
35 to 44	59.6%	28.0%	12.3%
45 to 54	61.4%	29.5%	9.1%
55 to 64	59.6%	33.0%	7.4%
65 and Over	50.3%	46.1%	3.5%
Overall	57.8%	31.1%	11.1%

Could the department avoid budget cuts or fee increases by selling more licenses?

Increasing license sales is one of the department's strategies for reducing the budget gap. To that end, the department has undertaken a number of efforts over the past few years to increase license sales and participation in hunting and fishing. These efforts include marketing campaigns, increasing availability of information on hunting and fishing opportunities, expanding the number of hunter education courses, Family Fishing events, workshops and other events, and starting new programs like the Mentored Youth Hunter Program to encourage participation. License sales have leveled off since 2010, although they continue to be below the peak in the 1980's.

The department would need to see a 20% increase in license sales in order to generate enough additional revenue to avoid having to make budget cuts and increase license fees. This would mean about 314,000 licensed hunters and about 738,000 licensed anglers in Oregon. Fishing license sales have not been at this level since 1993 and hunting license sales at this level since 1999.

How does the cost of hunting and fishing licenses in Oregon compare to other Western states?

A comparison of current prices between 14 Western states found:

- For resident fishing licenses, California, Arizona and Colorado charge more than Oregon.
- For non-resident fishing licenses, only California charges more than Oregon.
- For resident hunting licenses, Arizona, California, Nevada, South Dakota and Washington charge more than Oregon.
- For non-resident hunting licenses, Arizona, California, Idaho and Washington charge more than Oregon.

This comparison looked only at current fees. Other states are also considering fee increases.

How can I keep up to date on the ODFW budget?

Updates will be posted periodically on the department's website at <http://www.dfw.state.or.us/agency/budget/process.asp>