

Agenda Item Summary

BACKGROUND

The Oregon Department of Fish and Wildlife (ODFW) must submit its 2015-17 Agency Request Budget (ARB) to the Governor by August 29, 2014. The request lays out the finances for the agency for the 24 month period from July 1, 2015 through June 30, 2017. The Commission will take formal action on the request at its August 1, 2014 meeting.

Outlook for the Next Six Year Budget Planning Horizon

The 2013-15 biennium is the final biennium under the six year fee adjustment that was effective January 2010. Moving into the next six year horizon, the department forecasts a significant gap between projected expenses and revenues in key areas of its budget.

Over a six year horizon, there is a projected shortfall in the commercial fish funded programs. However, the more immediate and significant gap is projected in recreation license funded programs. For the 2015-17 biennium, the projected gap between expenses and revenue for recreational license funded programs is \$32 million. 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 the Oregon State Police Fish and Wildlife Division budget request. Given the size and immediacy of the forecasted gap, license funded programs are the dominant focus for 2015-17 budget development.

Flat Revenues

A major factor affecting the short and long term outlook for the department is hunting and fishing participation trends. While there has been leveling out in recent years, hunting and fishing participation in Oregon is at the lowest levels in the last 30 years. This decline in participation has been observed across the United States. Several national and state surveys have been conducted to determine the reason for the drop in participation. "Not enough time" and "Family or Work" commitments are frequently cited as the reason for not fishing or hunting. Several other factors likely contribute to this response, including longer travel time to hunt or fish due to traffic in urban areas and other commitments, especially for families with children. Other concerns include limited public access, not knowing where or how to fish or hunt, no one to go with, perceived lack of fish or game, and total cost to fish or hunt.

Sales from hunting and fishing licenses and tags represent about one third of the revenues for the department in a typical budget cycle and fund core fish and wildlife management such as field biologists, hatchery production, and enforcement. These revenues are also the working capital of the agency, providing revenues to cover expenses under federal and other grants and contracts until the department is reimbursed.

Increased Costs

Another factor affecting the budget outlook is increasing operating and personnel costs. The department projects these costs to rise 6% over each of the next three biennia. This is slightly higher than the 4% inflation used to project expenditures in the last six year planning cycle.

For the next six year horizon, the department is assuming 6% inflation in part to account for merit and cost of living adjustments that have been restored in recent labor contracts. OSP Fish and Wildlife Division, in particular, will experience higher inflation of personnel costs in 2015-17 due to changes in their labor contract. For 2015-17, the base contract between OSP and ODFW will inflate by 17.2% due to these changes.

It should be noted that, while the department is adjusting its inflation projection up from 4% to 6%, this is still less than inflation estimates used by Department of Administrative Services (DAS) and the state budget system. DAS uses 13% inflation on personnel costs. This level of inflation is out of line with actual expenditures observed by the department over the last several biennia.

Lower than Expected Reserves/Carryover

Several factors have affected the amount of carryover moving into the next six year planning horizon. The 2010 fee schedule was built on the assumption that the department would draw down existing license budget reserves over the six year period. While this helped reduce the size of the fee increase at that time, it was understood that this would reduce budget reserves going into the next six year budget cycle.

As we near the end of the last fee cycle, these reserves are even lower than originally planned for a number of reasons:

- Revenues from the 2010 fee increase did not meet projections.
- Lower than projected interest on funds due to the economic downturn.
- Reduced federal funding from the Sport Fish Restoration and Boating Trust Fund due to the national economic downturn.
- Programs are projected to spend more license dollars this biennium than previously projected due to changing personnel costs.
- Legislative action shifting costs for Oregon State Police Fish and Wildlife Enforcement and other programs from General Fund to license funds.
- Unanticipated Department of Administrative (DAS) charges including higher than projected statewide risk assessments, data charges and other fees assessed to state agencies.
- Unbudgeted costs for Rock Creek hatchery improvements.

These budget reserves must be replenished in the 2015-17 budget in order to provide sufficient operating capital to float the costs associated with federal grants or contracts.

Strategies for Balancing the Budget

As the department develops its budget proposal, projected expenditures must be brought in line with what we can expect to receive in revenue. The department does not expect to cover the gap between projected expenditures and revenues simply by increasing license fees. It is unlikely the Legislature would approve such a large fee increase, and it would likely drive people to quit hunting or fishing and would result in a greater decline in overall license sales. As a result, the department is proposing strategies that reduce costs and address revenues in order to bridge the budget gap in its recreational license funded programs. Similar strategies are being pursued for commercial fish funded programs.

PUBLIC INVOLVEMENT

In March, the department began meeting with the External Budget Advisory Committee (EBAC) to develop its six year budget strategies and refine the 2015-17 budget proposal. EBAC includes conservation groups, local government, sports groups, commercial fishing representatives, and other interested parties. EBAC meetings were held on March 11, March 25, April 8, and May 1. An additional meeting is scheduled on June 10. A subgroup of EBAC met separately to focus on the strategies to balance the Commercial Fish Fund over the next six years. The subgroup met with department staff on March 26 and April 11. The list of EBAC members and a recap of each EBAC and CFF subgroup meeting is provided in **Attachment 2**.

Town Hall meetings are also scheduled throughout the state to gather public input on the budget proposal and fees. Town Hall meeting locations and dates are provided in **Attachment 3**. In addition to press releases and website postings, ODFW Region offices mailed more than 1200 letters to local sport groups, landowners, elected officials, and other contacts inviting them to participate in a Town Hall meeting. Town Hall meetings were still underway at the time of the June 5 exhibit mailing. Public comments received at the Town Hall meetings will be summarized in the June 5 staff presentation and minutes will be included in the August 1 Commission exhibit.

There are several other options for the public to submit written comments on the proposed budget besides attending Town Hall meetings. Comments may be submitted by email to ODFW.Comments@state.or.us. Background information on the department's proposed budget, fees, Town Hall meeting schedule and a link to provide public comments is also available at www.dfw.state.or.us/agency/budget. As of May 21, 2014 the department has received 50 written comments as provided in **Attachment 10**.

2015-17 AGENCY REQUEST BUDGET PROPOSAL

ANALYSIS

The department has focused on several strategies to reduce costs and increase revenues to fill the projected \$32 million gap in its recreational license budget. Combined, these strategies provide for a balanced budget for 2015-17. Any adjustments to the proposal must be offset in order to maintain a balanced budget that can be submitted to the Governor.

Strategies to Address Costs

Over the past several months, the department has been exploring with internal teams and EBAC a number of options to reduce costs through increased efficiencies and program reductions.

Efficiencies

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 \$500,000 in 2015-17. The department began this effort in the 2013-15 biennium and anticipates saving \$300,000. Program managers are given flexibility in how they achieve savings since they and their staff have the best insight on how to generate savings in a way that does not impact program delivery on the ground.
- 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 information technology 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 in the 2015-17 biennium.

Public Comment: Several members of the public strongly encouraged the department to reduce its costs through efficiencies and trimming "excess" wherever possible. One comment suggested that the department could close inefficient hatcheries to save money. It was also suggested that shifting enforcement from OSP to ODFW game wardens could be more efficient.

Program Reductions

The department proposal includes more than \$6 million in program reductions affecting 48 positions in total (**Attachment 4**). These reductions will be difficult, but essential to developing a sustainable budget. Since more than half of the total budget is spent on personnel

costs, the department cannot significantly reduce program costs without layoffs. The department worked hard to identify reductions to minimize impacts on hunting and fishing opportunities. Many of these reductions would occur in programs funded through the Fish Division to ensure that spending is in line with license revenues.

Elimination of four of these positions occurred in the February 2014 Legislative Session. Half of the affected positions are currently vacant. Of the filled positions, about 25% are proposed to be reduced in the number of months, rather than eliminated. 46 of the positions are related to recreational license reductions and 2 are related to Commercial Fish Fund reductions. The proposed reductions reduce headquarters positions by six-percent and field positions by two-percent.

Public Comment: One comment urged the department to restore the fish district assistant biologists.

Strategies to Address Revenues

To increase revenue, department will seek funding from alternate sources, one time revenue, and general tax dollars in order to reduce the demand on license dollars. In addition, the department will be proposing to adjust recreational and commercial licenses, tags and permits.

Shift from Hunter/Angler to Alternative Revenues

To build its 2015-17 budget, the department and EBAC took a hard look at programs that are currently funded by hunting and angling fees that would be more appropriately funded by other revenue sources.

As a result of that review, the department proposal seeks general tax dollars for law enforcement and specific ODFW programs that benefit all Oregonians. Shifting the cost of programs that benefit all Oregonians to General Fund (GF) ensures that everyone – not just hunters and anglers – share the cost of managing Oregon’s fish and wildlife. In the past, stakeholders have urged the department to seek General Fund revenue for these activities to reduce the impact on recreational license dollars.

In 2015-17, the department proposes to shift approximately \$6.5 million of its current programs to General Fund and \$5.19 million of OSP Fish and Wildlife Division costs to General Fund. These shifts and public benefits are described in **Attachment 5**. Even with these shifts, the GF budget for ODFW would be less than 10% of its overall revenues in 2015-17. The proposed shift for OSP Fish and Wildlife would return the division to prior General Fund levels. With the proposed shift to General Fund, ODFW license and other revenues would return to 50% of the OSP Fish and Wildlife Division budget, rather than 60% as in recent biennia. The department is also exploring a “user pay” model as an alternative to General Fund to fund some of its activities and has submitted a legislative concept for consideration by the Governor.

In addition to General Fund, the department proposes to shift \$2 million of recreational license costs to alternative funding sources:

- Shift Education/Outreach to Pittman Robertson Federal Funding

(\$350,000)

- Charge field biologist time spend on hydroelectric projects to the dedicated Hydro Fund (\$486,000)
- Shift portions of select Licensing and Fish Administration positions to dedicated Commercial Fish Fund to reflect time spend on commercial fishing licensing and management (\$655,000)
- Shift portions of select Fish Administration positions to dedicated Recreational Shellfish Fund to reflect shellfish management activities (\$84,000)
- Shift portions of select staff in Columbia Program to appropriate federal grants and contracts (\$168,000)

The department proposes to shift \$600,000 in Commercial Fish Fund costs to alternative revenue sources:

- Shift portions of six positions and services and supplies to Recreational Shellfish Fund to cover Marine Program management, front office and administrative support attributed to recreational shellfish management (\$205,000)

Public Comment: A number of comments expressed support for seeking General Fund for ODFW programs and OSP Fish and Wildlife Division. There was concern about what would happen to those programs if the General Fund is not secured. One comment expressed concern about the amount of General Fund requested and potential impacts to other natural resource agency budgets. The department was also encouraged to prioritize its General Fund requests.

A number of comments urged the department to review each program area to ensure that the source of funds match the beneficiaries of that program. In particular, these comments suggest that General Fund in hatcheries should be backfilled with angling dollars while the General Fund moved to programs that have broader public benefit.

One comment expressed concern about shifting staff costs onto Pittman Robertson funding due to concerns a reversal of the recent bump in these revenues.

Several comments suggested alternative revenue sources that the department should explore such as:

- *Increased fines on game violations,*
- *Developing a fish and wildlife supporter license,*
- *Creating an Oregon Natural Resource Membership with membership dues,*
- *Pursue a wild bird seed tax*
- *Evaluate with other natural resource agencies going to a state forest pass*

One Time Revenue

To fully balance the 2015-17 license budget, the department is also proposing to shift \$1.5 million in principle from a deferred maintenance

account to its general operating account. The deferred maintenance account was established in 2001 (Oregon Revised Statutes 496.303) and allows interest on the fund to be used for maintenance of fish hatcheries and other facilities. In recent years, the interest on the \$1.5 million principle has been \$11,000 annually. This is insufficient to address deferred maintenance needs, and the principle would more effectively serve the agency as operating capital. This would provide much needed operating capital and prevent deeper program cuts or greater fee adjustments.

Fee Adjustment/Restructuring

The 2015-17 budget includes a proposal to adjust the price of recreational and commercial licenses, tags and permits. The recreational fee proposal was based in part on a 2013 survey of license customers (**Attachment 6**). The proposals for recreational and commercial licenses are provided in **Attachments 7 and 8**, respectively.

The proposed increase in recreational license fees would 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.

Raising the cost of hunting license \$2.50 and fishing licenses \$5, along with other increases, is projected to generate \$8.5 million in 2015-17. Fees for controlled hunt tag applications and youth licenses, including the Juvenile Sports Pac, will not be increased. 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 generated by the public and staff through surveys, focus groups and other discussions.

The new proposals include:

- \$10 juvenile license for youth 12-17. The new, reduced cost license will allow youth 12-17 to hunt or fish for all species, except for salmon/steelhead/sturgeon 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 can be added for a nominal fee. Residents and non-residents will be able to purchase the youth license.
- 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 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. Halibut will be moved to the Ocean Endorsement from the Combined Angling Tag.

- 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 \$95. 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 (\$5). Those opportunities are not yet determined.
- 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 and other opportunities. This hunt series will not be eligible for preference points.

A comparison of current and proposed 2016 recreational license fees with other states is provided in **Attachment 9**.

Public Comment: The majority of written comments received to date have expressed concern about an increase in fishing and hunting licenses and tags. These concerns were related to a variety of issues such as:

- *Increased license and tag costs driving down participation*
- *Oregon cost compared to other states*
- *Cost for families*
- *Raising costs with less quality hunting/fishing experiences*
- *Impact of raising cost on low income or fixed income households*
- *Suggestion to reduce staffing and operating costs rather than raise fees*
- *Increased costs from Columbia River endorsement*
- *Impact of increased license costs on poaching activity*

Many of the comments expressed frustration about raising fees while they have experienced declining hunting and fishing opportunities. There were a number of comments on the impacts of predators on opportunity (avian, marine mammal, coyotes, wolves). There were

also several comments about impacts of gillnets on recreational fishing opportunities on the Columbia and the expansion of barbless hooks into the Willamette.

There were several ideas for adjusting fees:

- *Discount for low income households*
- *Discount for license holder that sponsor a new license buyer*
- *Offer premier tags*
- *Increase nonresident hunter quota to 10%*
- *Allow nonresident hunters to buy preference points (at a higher price) without buying a license*
- *Offer a once in a lifetime tag*
- *Shift the timing of the controlled hunt draw to earlier in the year to better compete against other states*
- *Offer a wild fish tag*
- *Allow purchase for second tag for extra costs or trade ins of unused tags for other areas*

There were several comments in support of the fee proposal overall. Specific support was also expressed for reducing the costs of nonresident angling licenses, phasing in fees over two year rather than six year increments, and simplifying youth requirements.

Program Priorities

As part of its budget package, each agency must priorities is current programs. Staff presented a modified list of priorities to EBAC at the May 1 EBAC meeting. Staff are continuing to update the prioritized lists with funding, position, and FTE data. This will be presented in the August 1 Commission exhibit.

Public Comments: There were some comments regarding program priorities including requests to:

- *Rank Water Quantity and Quality higher*
- *Maintain priority for field staff, fish monitoring and evaluation, and enforcement*

Policy Option Packages

The department is continuing to develop policy option packages (POPs) for the 2015-17 budget. The department has to include POPs for any programs that are not part of our base budget and for any proposed fund shifts. To date, the majority of POPs are continuation of programs funded in the 2013-15 budget and funded with federal and other grants and contacts.

No new expenditures of license dollars are proposed. There are some General Fund packages proposed including the continuation of staff participating in the Integrated Water Resource Strategy (IWRs) and the department's efforts under the Columbia River Fisheries Reform rules. There will also be POPs requesting backfill programs, as mentioned above, that can no longer be funded with license fees.

Staff are continuing to update POP narratives and will present those in August 1 Commission exhibit.

OPTIONS

NA

**STAFF
RECOMMENDATION**

NA

DRAFT MOTION	NA
	NA
EFFECTIVE DATE	