

## 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 is required to take official action on the budget before it can be submitted.

The department is not presenting its requested budget in the format as it will be submitted to the Governor and the Department of Administrative Services (DAS). The formal budget document is quite detailed, large in size, and cannot be finalized until several technical audit processes have been completed. The information presented to the Commission represents summary budget information for the next biennium, including a look at continuing program levels, fee change and fund shift recommendations, program priorities, and budget reductions.

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. The budget proposal presented to the Commission brings projected expenditures in line with revenues. The strategies presented reduce costs and address revenues in order to bridge the budget gap in its recreational license funded programs. Similar strategies were developed for commercial fish funded programs. These strategies were presented to the Commission in May and June 2014. Adjustments to the budget proposal, made in response to Commission and public input, are highlighted in this report.

### PUBLIC INVOLVEMENT

In March, the department began meeting with its 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, May 1, and June 10. A subgroup of EBAC met separately to focus on the strategies to balance the Commercial Fish Fund (CFF) over the next six years. The subgroup met with department staff on March 26 and April 11. Written recaps from each EBAC and EBAC Subgroup meeting were provided in Exhibit G at the June 5 Commission meeting. EBAC also reviewed a number of new license types developed through an extensive public involvement process including surveys of 60,000 license buyers, staff surveys, and a series of eight focus groups capped by a full-day discussion with representatives of a wide variety of interests.

Town Hall meetings were hosted at nine locations across the state to gather public input on the budget proposal and fee adjustments. Minutes from the Town Hall meetings were provided in Exhibit G of the June 5 Commission meeting.

In addition to public comments received at Town Hall meetings, the department received more than 130 written comments. Written comments

received through June 5 were provided in Exhibit G at the June 5 Commission meeting. Written comments received from June 5 through July 17 are provided in **Attachment 9**.

## 2015-17 AGENCY REQUEST BUDGET APPROVAL

### ANALYSIS

**Attachment 2** summarizes the total revenues and expenditures for the 2015-17 Agency Request Budget by fund type. Overall, the 2015-17 requested budget is 4.7% higher than 2013-15 funding levels.

The requested budget reflects the department's strategies to reduce costs and increase revenues to balance its recreational license budget and to address funding needs for Commercial Fish Fund (CFF) programs. Details of these strategies were presented in Exhibit G of the June 5 Commission meeting. The budget also addresses shortfalls in other program areas as described below.

At its June 5 meeting, the Commission strongly encouraged staff to review the comments from Town Hall meetings and written comments as the budget proposal was finalized for Commission action in August. Changes in response to comments are described below. Any adjustments to the proposal were offset in order to maintain a balanced budget for submittal to the Governor.

#### Program Reductions

The department budget proposal includes a number of position reductions in response to revenue shortfalls. **Attachment 3** summarizes affected positions for each funding source. These reductions will be difficult, but essential to developing a sustainable budget. Since more than half of the department's total budget is spent on personnel costs, the department cannot significantly reduce program costs without layoffs. There are 62 positions proposed for reduction across all fund types. More than half of the positions proposed for reduction are vacant. 17 of the 62 affected positions are located in the Salem headquarters office. The proposed reductions impact 7% of current headquarters positions and 3% of current field positions.

The department received numerous comments at town hall meetings and in written comments urging the department to maintain field staff positions. In particular, individuals and organizations made comments about the significant and positive impact of the work of fish assistant district biologists (ADB). In response to these comments, the department is proposing to restore four of the seven license-funded ADB positions originally proposed for reduction. To balance the overall budget proposal, ADB positions in Bend and Klamath are restored by rounding recreational license fees up to the nearest dollar in the recreational fee proposal (**Attachment 4**). ADB positions in Charleston and Central Point are restored as shifts to 100% General Fund as shown in **Attachment 6**. In lieu of the Charleston and Central Point ADB reductions, four vacant experimental biology aides that were proposed as a General Fund shift are now proposed for reduction. These four positions have been vacant for most of the current biennium, and programs have been able to shift and prioritize work to address these vacancies.

Much of the budget development process for 2015-17 has been focused on balancing recreational license expenditures and revenues. However, the agency's base fish status and trend monitoring programs across the coast and lower Columbia also face a funding shortfall. This is largely due to funding shortfalls that have accrued incrementally over multiple biennia across multiple fund types (e.g., Sportfish Restoration Funds, General Fund, Pacific Coast Salmon Recovery Funds). Moving into 2015-17, the department is proposing to reduce programs funded with Pacific Coast Salmon Recovery Funds (PCSRF) and move those funds into its core fish monitoring programs to address the budget shortfall. This fund shift would eliminate the Western Oregon Stream Restoration Program (WOSRP) and Habitat Conservation Biologists (HCBs) that are currently funded with PCSRF.

Although all programs are important, monitoring work is and has been identified as a higher agency priority than the WOSRP and HCBs. Monitoring is directly associated with Endangered Species Act (ESA) listing and de-listing decisions, status assessments, habitat work prioritization, hatchery and harvest management decisions, legal requirements and litigation, and issues confronted by other agencies. Also, no other entity conducts this type of monitoring work at this scale, therefore it is critical for the department to fill this need. During development of the Coastal Multi-Species Conservation and Management Plan, the need for even more monitoring information was called for and supported across all stakeholder interests.

Attachment 3 also describes three positions affected by statewide shortfalls in Lottery Fund revenues in 2015-17. While the department must balance its base budget request to DAS revenue estimates, it will be requesting to restore these positions in Policy Option Package (POP) 112.

### **Fee Adjustment/Restructuring**

The 2015-17 budget includes a proposal to adjust the price of recreational, occupational, and commercial licenses, tags and permits. Since the June 5 Commission briefing, the department has continued to receive comments expressing concern about an increase in fishing and hunting licenses and tags.

Working with EBAC, the department has attempted to minimize the extent of the fee adjustment by pursuing efficiencies, reducing programs, and shifting onto other revenue sources. The department has also compared the proposed fees to other western states and attempted to align pricing with the range of prices observed elsewhere.

A number of commenters were concerned about pricing impacts on hunting and fishing participation. The department is proposing to adjust recreational license fees gradually in two-year increments. This is a different strategy than has been used in the past, in which fees were increased significantly once every six years. Results from a 2013 survey clearly indicated that license buyers prefer the incremental approach. As part of developing the license revenue model used to form the proposed fee changes, the department reviewed license buyer response to fee

adjustments in 2004 and 2010. Declines in participation following those fee adjustments were estimated and then applied to identify pricing adjustments that could best minimize drop out and preserve license sale revenues.

**Attachments 4 and 5** provide revised fee schedules for recreational and commercial, respectively. The following adjustments are included:

- Recreational fees were rounded up in some cases to restore two fish ADB positions.
- Premier fishing tag raffle fee was adjusted from \$6 to \$8 for consistency with premier hunting tag application fee.
- Occupational licenses were adjusted to reflect costs for delivery of those services/programs. These fee adjustments will require a combination of statutory and administrative rule changes.
- 4-day angling license was eliminated in order to streamline offerings and due to low sales relative to 3-day and 7-day licenses.
- Proposed fee for 7-day non-resident (NR) angling license were increased to \$75 (from \$66) in 2016. The intent is to lower the ratio between annual cost and 7-day cost for nonresidents to fish salmon/steelhead to potentially incentivize more NR anglers to move up to annual license and combo tag.
- Minor changes were made to the commercial fish license fees for consistency in pricing changes across the fisheries.

Based on public comment and June 5 Commission discussion, the department considered providing an offsetting “benefit” for the cost of the Pioneer license. For example, the department considered including a gratis shellfish license with the purchase of a Pioneer license or offering a price-reduced deer tag for Pioneer holders. Any of these offsetting “benefits” would result in reduced overall revenues and would not appeal to the Pioneer population as a whole, so the department did not incorporate this concept into the fee proposal included in **Attachment 4**.

The department also received written comments about the change in age from 14 to 12 years old for youth fishing under the new youth license concept. There was specific concern about the impact of this age shift on youth angling education events. To address these concerns, the department will be pursuing statutory changes to exempt youth angling education events.

### **Fund Shifts**

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. These shifts are described in **Attachment 6**.

In 2015-17, the department proposes to shift approximately \$6.25 million

of its current programs to General Fund and \$5.18 million of OSP Fish and Wildlife Division costs to General Fund. Since the June 5 Commission presentation, the department has adjusted the proposed General Fund shift based on public comment. ADB positions in Charleston and Central Point are proposed to be restored onto 100% General Fund. In lieu of the Charleston and Central Point ADB reductions, four vacant experimental biology aides that were proposed as a General Fund shift are now proposed for reduction.

Even with these shifts, the General Fund budget for ODFW would be 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.

There were a number of written comments suggesting alternative revenue sources such as a natural resource membership, wildlife license plate, tariff on birdseed or outdoor equipment, and gas tax. After reviewing potential alternative funding mechanisms utilized by other states and concepts submitted in public comments, the department recommends enhancing its existing Habitat Conservation Stamp Program as the means to generate further revenue. Enhancements will include efforts to expand the program by increasing the agency's advertising efforts, working better with our partners, creating new partnerships, and revisiting the concept of a stamp. In addition to these efforts, the department will continue to work with stakeholders on other revenue concepts.

### **Programmatic Comments**

Two issues were mentioned repeatedly throughout the public involvement process – complicated fishing regulations and improving hunting and fishing.

Commenters said the fishing regulations are complicated and confusing and may discourage individuals, especially new anglers, from fishing. Fish Division is establishing a work group to identify ways to streamline the regulations. The group will focus on reducing the number of special regulations, developing consistent descriptions and terms, and eliminating redundant or unnecessary information in the regulation booklets. In addition, the group is exploring new options for formatting and packaging the regulations. This effort coincides with procuring a new contract for publishing regulation booklets.

As an interim step, the department will reduce the number of pages in the 2015 fishing regulation booklet by cutting unnecessary pages and redundant information. The department is also working with an outside contractor to develop a mobile fishing map which will allow anglers to access fishing regulations and other information from their smartphone, tablet or computer. These interim steps should begin to address concerns that the regulations are overwhelming and intimidating.

The department agrees that improving hunting and fishing is important.

This has been and will continue to be a high priority. Since the last fee adjustment, the department has undertaken a number of initiatives to increase hunting and fishing opportunities.

The Mule Deer Initiative is restoring traditional mule deer habitat, managing predators, reducing highway mortality and increasing enforcement in order to improve mule deer hunting. License dollars leverage funding from Natural Resource Conservation Service, Bureau of Land Management, Access & Habitat, and other partners for thinning juniper, restoring aspen stands, controlling coyotes and cougars, developing new water sources, fencing riparian areas and other projects. Since 2010, ODFW and its partners spent \$11 million on habitat improvement projects that benefit mule deer, sage grouse and many other species. Other department efforts focus on black-tailed deer, restoring wetlands and habitat, and providing additional hunter access. Examples include water and wetland projects at Summer Lake, timber management on the North and South Umpqua to benefit black-tailed deer, and additional hunter access at Sauvie Island. Since 2010, big game populations, hunter success rates and harvest of waterfowl, deer, elk, bear and cougar have been stable.

Since 2010, salmon and steelhead fishing opportunities have been expanded, including wild coho fishing in coastal rivers and in the ocean, spring Chinook on the John Day, Imnaha, Grand Ronde and Catherine Creek, spring and fall Chinook on the Snake River, and steelhead on the Deschutes, and Trask, Nestucca, Coos, Coquille and Tenmile basins. Popular fisheries, like Mann and South Twin Lakes and Phillips Reservoir are being restored, and significant recreational harvest of razor clams, crabs and other shellfish has been allowed. Additional effort is being put into managing predation by California sea lions and cormorants, and in increasing public access by building or improving fishing piers, boat ramps and docks at St. Louis Ponds, West Linn, Detroit Lake, Wickiup, Holcomb and Brownlee reservoirs, Coos Bay and many other locations throughout the state.

The proposed 2015-17 budget provides funding to continue to improve fishing and hunting opportunities. The proposed 2015-17 budget, with its mix of license, federal, general, lottery, and other sources, also maintains significant conservation work related to sage grouse, mule and black-tailed deer, waterfowl, shorebirds, wolverines, burrowing owls and Oregon chub. The proposed budget also continues support for habitat protection and restoration, water quality and quantity, avian and pinniped management, law enforcement, invasive species and other programs that benefit all Oregonians.

The department also received a number of suggestions during the public involvement process related to the license purchasing process and customer service. The suggestions were reviewed by an internal work group with broad representation within the agency. Priority is being given to proposals that add value for the customer, increase efficiency, or can be implemented without significant expense to the department.

Proposals to make it easier or more convenient for individuals to purchase licenses are being researched, including accepting additional credit cards, allowing customers to easily look up their purchasing history, and making it easier to purchase licenses as a gift. The work group is also exploring options for digital licenses or, at the very least, reducing the number of license documents a hunter or angler must carry. Some of the potential changes will require modification to the point of sale licensing system and may take some time to implement.

Several recommendations regarding customer service are being considered or implemented, including new methods of providing information to hunters and anglers. The proposed budget includes additional federal funding to expand the department's ability to provide information to customers by email and social media and to update the ODFW website to be more compatible with smartphones and tablets.

### **Policy Option Packages**

The department must include policy option packages (POPs) for any proposed enhancements to its base budget and to cover fund shifts between fund types. The department is proposing 29 POPs in its 2015-17 requested budget. **Attachment 7** provides a summary of POPs and draft narratives for each package. The majority of the POPs are continuation of programs funded in the 2013-15 budget with federal and other grants and contacts. No new expenditures of license dollars are proposed.

The two highest priority POPs implement key strategies for balancing the department's recreational and commercial fish funded programs. POP 101 includes the request to shift key programs and staff from recreational license dollars to General Fund consistent with **Attachment 6**. POP 101 includes funding to continue limited duration staff participating in the Integrated Water Resource Strategy (IWRS) and a study of fish predation on the coast. Package 102 reflects the revenues projected from the recreational, occupational, and commercial fee adjustments consistent with **Attachments 4 and 5**.

The department is also requesting General Fund to continue implementation of Columbia River fish management and reform under Senate Bill 830 (POP 103), continue the Sage Grouse Initiative (POP 105), invest in priority research at the Oregon Hatchery Research Center (POP 117), provide the state's share of funding of fish passage at North Canal Dam on the Deschutes River (POP 121), and continue staffing to provide input on renewable energy projects (POP 124).

The department is requesting Lottery Funds to restore fish monitoring positions (POP 112), fund actions identified in the Coastal Multi-Species Plan (POP 116), and implement the Oregon Conservation Strategy (POP 122).

### **Program Priorities & Reduction Options**

As part of its budget package, each agency must prioritize its current programs. **Attachment 8** provides a ranking of programs for the department including funding, staffing and a "cross walk" to POPs

impacting each program.

Staff presented a modified list of program priorities at the May 1 EBAC meeting. Modifications included moving the Oregon Hatchery Research Center to a higher priority and at a ranking consistent with other research and monitoring programs. The department also consolidated a few programs to reflect organizational changes (e.g., the warm water program was consolidated with the recreational fisheries program).

The department received a few comments regarding its program priorities such as requests to rank the Water Quantity and Quality program higher and to maintain the priority for field staff, monitoring, and enforcement. The program priority is a useful, high level tool for identifying options and decision making. As presented in **Attachment 8**, the overall ranking reflects the agency's core statutory obligations so no further changes are proposed at this time.

The program priority list can also be a useful tool for evaluating whether existing sources of funding are a good fit for the programs they support. 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. The hatchery program provides broad public and economic benefits to the state, and the department is not proposing to shift General Fund out of this program. While no changes are proposed at this time, the department will continue to work with the Commission, EBAC, and other stakeholders to assess the fit between programs, funding sources, and beneficiaries.

In addition to program priorities, all agencies must submit 10 percent reduction options across all fund types. The reduction lists must be based on "modified current service level." Consistent with prior budget proposals, the department's reduction options for 2015-17 will be prorated across divisions based on funding and will be based on program priorities.

The department will continue to keep the Commission, staff, the public, and interested parties informed of the department's budget as it works its way through the process. All figures included in these presentations are preliminary, as some adjustments may still be necessary to ensure consistent application of statewide budget instructions.

## **OPTIONS**

Option 1: Approve the department's 2015-17 Agency Request Budget

Option 2: Amend the department's 2015-17 Agency Request Budget

Option 3: Reject the department's 2015-17 Agency Request Budget

## **STAFF RECOMMENDATION**

Option 1.

**DRAFT MOTION**

I move to approve the department's 2015-17 Agency Request Budget for submission to the Governor's Office by August 29, 2014.

**EFFECTIVE DATE**

August 1, 2014

