

Summary

Meeting dates: August 5, 2016

Agenda item: 2017 Legislative Session Proposed Operating Budget Requests-Briefing

Presenter(s): Owen Rowe, Budget Officer, Technology and Financial Management

Background summary:

In September of every even-numbered year, state agencies submit their biennial operating budget proposals to the Office of Financial Management and the Legislature. These proposals communicate the operating budget priorities of state agencies for the next two year budget cycle from July 1, 2017 to June 30, 2019.

Final adjustments to the operating budget are requested for the current biennium during this period as well. These second supplemental budget requests are the last chance to make changes to the current operating budget. These proposals are reserved for emergent issues and emergencies that must be addressed in the current biennium.

The Department is developing its 2017-19 biennial and 2017 supplemental operating budget requests and will present them to the Commission for review.

Policy issue(s) you are bringing to the Commission for consideration:

N/A

Public involvement process used and what you learned:

N/A

Action requested:

Approval to submit operating budget requests to the Office of Financial Management and the Legislature.

Draft motion language:

Move to approve the 2017 agency request operating budget proposals as presented.

Justification for Commission action:

The Fish and Wildlife Commission sets policy for the Department of Fish and Wildlife, and is responsible for final review and approval of Department goals, objectives, and budget proposals (RCW 77.04.055).

Communications Plan:

N/A

2017 Supplemental & 2017-19 Biennial Operating Budget Requests

Working Draft: July 29, 2016

For Commission Review

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Background and Context

WDFW staff will review the Department's 2017-19 budget proposals with the members of the Fish and Wildlife Commission on Friday, August 5.

Preparing for the upcoming biennium, which begins July 1, 2017, presents challenges for all state agencies as we (a) describe proposals needed to meet our current responsibilities and service levels, and (b) identify funding increases needed to respond to new directives and emerging issues.

This year, however, the budget environment is especially complex for WDFW for the following reasons:

- **The Office of Financial Management (OFM) is projecting a \$1.3 billion operating budget deficit** to maintain current services during the 2017-19 biennium, despite increases in expected revenue over the current biennium. The costs of government services are rising faster than state revenue. Additionally, the OFM expects it will take \$3-4 billion to meet the requirements of the State Supreme Court's McCleary decision. This will not be possible without a significant revenue increase. The budget instructions to state agencies from OFM are very clear that there will be very little state general fund available, and that state agencies should be prepared to prioritize the activities funded through the state general fund and to limit requests for these resources. Competition for limited general fund resources this legislative session will be intense.
- **The State Supreme Court has found the State Legislature in contempt of court on meeting its basic education obligations for K-12 students.** The legislature will be looking for new revenue and state general fund cuts to meet the projected \$3-4 billion shortfall to satisfy the Court's demand for a remedy.
- **The State Wildlife Account has a significant structural deficit where hunting and recreational fishing licenses are deposited,** meaning that the Account has more expenditure pressure than revenue to back it. Costs continue to increase related to the management of ESA listed salmonid species and fisheries. Federal hatchery permits require additional monitoring and sampling, our hatchery facilities lack adequate maintenance, and the cost of fish food continues to climb. Additionally, recent legislative policy providing the first cost of living increase for state employees in eight years and targeted salary increases for staff classifications determined to be non-competitive under a Department of Personnel salary survey have exacerbated the shortfall in the Account. After the attempt this biennium to increase fees to meet these challenges was unsuccessful, the Legislature directed the Department to spend the fund balance in this account to a level below the generally acceptable fund management reserve of two months of average expenditures. Without a license fee increase, the Department will have to reduce services provided to recreational fishers and hunters.
- **WDFW has already experienced major reductions** in state general fund support during the Great Recession, which forced the Department to cut services and increasingly rely on license

fees and other funds, such as federal dollars and grants. Further state general fund reductions would undermine core services, such as law enforcement, fish hatchery operations, and the efficiency of the Hydraulic Project Approval program, all of which benefit the entire state and its economy. Over the past couple of biennia, the Department has been successful in maintaining state general fund support for core services, but additional resources to meet increasing costs will continue to be challenging into the future.

- ***Flat to declining federal funding and legal challenges are expected to continue, particularly for critical fisheries management activities. Federal Mitchell Act funding which supports fish production and management on the lower Columbia River is being litigated in court due to concerns about the effect of hatchery fish on wild salmon populations. Additionally, Mitchell Act funding has not increased appreciably in many years, and without additional funding many recreational and commercial fishing opportunities will be curtailed, with significant economic consequences for Washington State.***
- ***Fisheries management continues to be increasingly difficult – and costly – due to permitting requirements under the federal Endangered Species Act, rising costs for fish management and production, and growing demand for access to fishing opportunities.***
- ***Recognizing these budgetary challenges that face the Department, the Wild Future Initiative was launched last year. This initiative seeks the public’s input on their vision for the future of the Department. A second set of public meetings in August will be held to solicit feedback on the Department’s budget submittal around the priorities we’ve heard from the public. The Department continues to request feedback on these budget proposals online as well.***
- ***The Wild Future Initiative includes proposals for increasing license fees on hunting, on recreational and commercial fishing, and requests for new general state funding to sustain and expand hunting and recreational and commercial fishing opportunities. The Department is reaching out to key constituent groups to review and potentially revise these ideas, so the options discussed with the Commission may change over time. Fee increase options being considered at this time would raise a total of about \$12 million on recreational fishing licenses and around \$2 million on hunting licenses per year. The proposal increases commercial fishing licenses by \$1 million per year and seeks to have the Enhanced Food Fish Excise Tax and commercial fishing licenses transferred from the state general fund to the State Wildlife Account (~\$3.6 million per year).***

WDFW preparations for upcoming budget submittals and discussions

WDFW is preparing proposals for review by the Commission at its August meeting, reflecting both the normal budget process and the need to respond to significant projected budget shortfalls.

Our proposed budget-related packages include:

- **2017 Supplemental Requests to meet emergent needs and emergencies in the current biennium.** These requests are one-time by law and additional support will be requested in the 2017-19 proposals if ongoing funding is needed.
- **Maintenance level budget requests** totaling \$6 million for the biennium. The maintenance package includes specific funding adjustments to ensure the Department can continue to meet its legal responsibilities and preserve current levels of service.
- **Performance enhancements, to address budget shortfalls and new work** totaling almost \$40 million for the biennium.

~Summaries of these requests are included on the following pages.

Key dates in budget development

September 16, 2016 – Operating and capital budget requests due to Governor’s budget office (OFM)

Mid-December – Governor releases operating and capital budget proposals

January 10, 2017 – Legislative session and legislative budget development begins

Mid-February – Quarterly revenue forecast

Late February/Early March – First legislative budget proposals released

April 23, 2017 – End of 105-day regular legislative session

July 1, 2017 – Start of 2017-19 biennium

Fund Source Key

Abbreviation	Title	Code
GF-S	General Fund – State	001-1
GF-F	General Fund – Federal	001-2
WL-S	State Wildlife Account	104
HPA	Hydraulic Project Approval Account	18L

2017 Supplemental Requests (These requests are for the remainder of the current biennium)

#1 Ellensburg Office Consolidation

	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$265,000	0

Fund Sources: GF-S

Recommendation Summary:

The Washington Department of Fish and Wildlife (WDFW) Region Three District Office is composed of five leased facilities in and around Ellensburg, with significant declining building infrastructure. Additionally, the current facilities have insufficient space to house all of the Department's district staff. Recently, ten positions were relocated to Yakima temporarily from one of our facilities in Ellensburg when snow caused an awning to collapse above the building's entrance. The Department proposes consolidating WDFW field operations in Ellensburg from three separate offices and two separate storage spaces all into one modern facility.

#2 Federal Authority

	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$3,800,000	0

Fund Sources: GF-F

Recommendation Summary:

Washington Department of Fish & Wildlife (WDFW) conducts work under contracts with a variety of federal agencies, including the US Fish and Wildlife Service (USFWS), the National Oceanic and Atmospheric Administration (NOAA), and the Bonneville Power Administration (BPA). With this funding, WDFW operates hatcheries, conducts ecosystem restoration, conducts research, protects threatened and endangered fish and wildlife, and supports hunting and fishing opportunities. A review of current spending indicates a need for additional federal authority to continue fulfilling WDFW's federal contractual obligations through FY 17.

#3 Legal Services Shortfall

	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$284,000	0
Fund Sources:	GF-S, WL-S	

Recommendation Summary:

The Washington Department of Fish and Wildlife (WDFW) and the Attorney General's Office (AGO) have identified a shortfall in WDFW's appropriation for legal services and request funding to align the amount appropriated for legal services with actual AGO billings.

#4 Wildfire Costs

	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	<i>TBD</i>	0
Fund Sources:	GF-S	

Recommendation Summary:

WDFW is required to pay fire suppression costs to local fire districts and the Department of Natural Resources (DNR) for their support in fighting wildfires on Department owned lands. Funding is requested for fire suppression, habitat rehabilitation and infrastructure costs associated with wildfires occurring during FY 2017 and for those fires occurring from March-June of FY 2016 that were not addressed in the first supplemental budget. Fire suppression and restoration funding is necessary to preserve investments in fish and wildlife habitat, to protect human health and safety, and to defend facilities and structures in affected areas of the state.

#5 Emerging Wildlife Diseases

	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$300,000	0
Fund Sources:	GF-S	

Recommendation Summary:

Two new wildlife diseases that can decimate native populations have recently appeared in Washington State. The first disease is a strain of ranavirus carried by African clawed frogs, an invasive species in Washington. This virus kills fish and other amphibian species, and could affect ESA listed salmonid populations. Since July of 2015, over 5,000 African clawed frogs have been identified in four ponds in Thurston County. A separate, more serious infestation exists in a King County wetland area interconnected with multiple water sources, where the frogs can spread easily.

The second disease is White-Nose Syndrome, a devastating fungal disease that affects bat populations. The disease made its first appearance in North America on the east coast about a decade ago and has devastated bat colonies there, leading to the ESA listing of some species.

WDFW is responding to these outbreaks by monitoring known sites and researching the spread of these diseases. Funding is requested to study viral and distribution characteristics in order to gain further understanding and minimize the effects of these potentially devastating diseases statewide and across the west coast.

The following requests are for the biennium beginning July 1, 2017:

2017-19 Biennial Maintenance Level Requests

#1 Lease Rate Adjustments

	<u>FY18</u>	<u>FY19</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$55,000	\$78,000	0

Fund Sources: GF-S, WL-S

Recommendation Summary:

WDFW must renegotiate over 50 active lease agreements with a number of different property owners. These leases are for properties that house nearly one thousand staff and their associated functions statewide. Most of the leases will increase in the 2017-19 biennium and funding is requested to maintain these active leases. Funding will allow staff to continue to work from functional locations where they can operate the most effectively and efficiently in relation to the Department's mission.

#2 PILT and Land Assessments

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$1,083,000	\$1,092,000	0

Fund Sources: GF-S

Recommendation Summary:

WDFW is required by state law to make payments in-lieu of property taxes (PILT) for Department owned lands to counties that elect to receive this payment. WDFW is also required to pay county assessments for weed control, storm water management, lake management, and dike districts. Since FY 2012, budget reductions rolled back PILT and assessment payments to levels closely equivalent to those paid in 2009. Funding is requested for county obligations for new acres acquired since 2011 and land assessment rate increases that have also occurred during this period.

#3 Legal Services Shortfall

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$142,000	\$142,000	0
Fund Sources:	GF-S, WL-S		

Recommendation Summary:

The Washington Department of Fish and Wildlife (WDFW) and the Attorney General's Office (AGO) have identified a shortfall in WDFW's appropriation for legal services and request funding to align the amount appropriated for legal services with actual AGO billings.

#4 Wildfire Costs

	<u>FY18</u>	<u>FY19</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$210,000	\$210,000	0
Fund Sources:	GF-S		

Recommendation Summary:

WDFW is required to pay fire suppression costs to local fire districts and the Department of Natural Resources (DNR) for their support in fighting wildfires on WDFW lands. Funding is requested for fire suppression, habitat rehabilitation and infrastructure costs associated with wildfires. This package seeks a base level appropriation for these costs based on a 10-year average. Fire suppression and restoration funding is necessary to preserve investments in fish and wildlife habitat, to protect human health and safety, and to defend facilities and structures in affected areas of the state.

#5 IT Security

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$1,903,000	\$1,161,000	5
Fund Sources:	GF-S, WL-S		

Recommendation Summary:

A 2016 security assessment identified information security systems that are at end of life or are not fully compliant with state security policies. Not replacing these baseline security services increases

the risk of data compromise or breach to an unauthorized party. WDFW intends to improve several areas of its information security program, which will help ensure the continued safety of critical resource data and the state network.

2017-19 Biennial Performance Level Requests

#1 Illegal Wildlife Trafficking

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$449,000	\$449,000	3

Fund Sources: GF-S

Recommendation Summary:

Initiative 1401, passed in the November 2015 general election, requires the Department of Fish and Wildlife to enforce new prohibitions against trafficking in non-native, endangered species parts and products. The initiative was approved overwhelmingly in all 39 counties of the state. Funding is requested to support two enforcement officers and associated support staff to coordinate with federal and state agencies, investigate illegal trafficking activity in ports of entry into Washington State, and build cases against offenders.

#2 Public Records and Open Data

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$743,000	\$743,000	0

Fund Sources: GF-S, WL-S

Recommendation Summary:

The Washington State Department of Fish and Wildlife receives over 700 Public Records Act requests each year, many very broad and complex. The cost in staff time to respond is over \$1 million per year, and reflects how much effort is diverted from the Department’s core work. In addition, the Department finds itself out of compliance with state law regularly, and any penalties divert funding from our mission. An Enterprise Content Management system will allow staff to respond more efficiently and effectively, keeping their time focused on core work and keeping the Department transparent and in compliance.

#3 Managing Aquatic Invasive Species

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$1,530,000	\$1,530,000	14

Fund Sources: AIS Management and Ballast Water Accounts

Recommendation Summary:

Aquatic invasive species (AIS) are a serious threat to Washington State’s economy, native species and landscape. In the United States, approximately \$138 billion is spent annually on non-native invasive species, of which \$7.3 billion is spent on invasive aquatic weeds, mussels, clams, and fish. Quagga and zebra mussels are the most expensive and devastating AIS to invade the United States, costing an estimated \$5 billion annually in prevention and control efforts. The Northwest is the last region in the United States that remains mussel-free. Washington’s AIS prevention, enforcement, and ballast water efforts remain significantly underfunded; with only \$760,000 in stable program funding available in fiscal year 2014, the lowest it has been since 2007. Compared to the twelve other states with AIS programs, Washington’s current program ranks near the bottom.

Funding was provided by the legislature to convene an Aquatic Species Funding Advisory Committee which deliberated for 5 months and authored a report with consensus recommendations that outline an approach to AIS Program funding including new fee based, user funding. Funding is requested to begin implementation of the recommendations of the advisory committee.

#4 Washington’s Wild Future

	<u>FY16</u>	<u>FY17</u>	<u>FTEs</u>
Estimated Cost & FTEs:	\$17,000,000	\$17,000,000	TBD

Fund Sources: WL-S, GF-S, HPA Account

Recommendation Summary:

WDFW began the Wild Future Initiative in response to a license revenue shortfall, increasing costs to manage salmon and steelhead, and conservation challenges in the face of a growing state population paired with public desire for more fishing, hunting, and wildlife watching opportunities.

This effort began by asking Washingtonians to share their thoughts on what the department is doing right, where it can improve, and where the agency should focus its efforts in the future. Feedback from people who either commented online or attended six regional forums hosted by WDFW last fall form the foundation of this initiative. The Department continues to solicit feedback

online and through public meetings, as well as with user and advisory groups to shape this budget proposal.

Wild Future Budget Summary

Biennial Totals- (Dollars in Millions)

Maintain Current Salmon Fishing Opportunities	\$8.4
Hatchery Maintenance	\$2.8
Hydraulic Project Approval Program Improvements to Expand Fish Runs	\$3.8
Protect and Restore Salmon and Steelhead Habitat	\$3.7
Increase Salmon and Steelhead Fishing Opportunities	\$6.0
Enhanced Enforcement and Resource Protection	\$4.4
Sport Fishing and Hunting Mobile Applications	\$0.9
Increase and Maintain Hunting Access on Private Lands	\$2.6
Central Washington Shooting Range	\$0.2
Maintain Protection of Watchable Wildlife	\$1.3
Youth Outreach and Education	\$0.1

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2017 Supplemental Operating Budget Requests

(dollars in thousands)

29-Jul-16

2017 Supplemental Maintenance Level	FY 17	Fund
1) Ellensburg Office Consolidation	\$265	GF-S
2) Federal Authority	\$3,800	GF-Fed
3) Attorney General's Office Costs	\$284	GF-S
4) Wildfire Costs	TBD	GF-S
5) Emerging Threats to Fish and Wildlife	\$300	GF-S
Total 2017 Supplemental	\$4,649	

Main Benefits				
Conservation	Recreation	Economic	Public Safety	Operational Efficiency
				X
X	X	X	X	X
				X
X	X			

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2017-19 Biennial Operating Budget Requests

(dollars in thousands)

29-Jul-16

					Main Benefits					
					Conservation	Recreation	Economic	Public Safety	Operational Efficiency	
2017-19 Biennial Maintenance Level		FY 18	FY 19	Total	Fund					
1)	Lease Rate Adjustments	\$55	\$78	\$133	GF-S/WL-S					X
2)	PILT and Land Assessments	\$1,083	\$1,092	\$2,175	GF-S	X	X	X		
3)	Attorney General's Office Costs	\$142	\$142	\$284	GF-S					X
4)	Wildfire Costs	\$210	\$210	\$420	GF-S	X				
5)	IT Security	\$1,903	\$1,161	\$3,064	GF-S/WL-S					X

Total 2017-19 Biennial ML \$3,393 \$2,683 \$6,076

2017-19 Biennial Performance Level		FY 18	FY 19	Total	Fund					
1)	Illegal Wildlife Trafficking	\$449	\$449	\$898	GF-S	X				
2)	Public Records and Open Data	\$743	\$743	\$1,486	GF-S/WL-S					X
3)	Managing Aquatic Invasive Species	\$1,530	\$1,530	\$3,060	AIS Mgmt/Ballast W	X	X	X		
4)	Washington's Wild Future	\$17,000	\$17,000	\$34,000	HPA/GF-S/WL-S	X	X	X	X	X

Total 2017-19 Biennial PL \$19,722 \$19,722 \$39,444