

WDFW FISH & WILDLIFE COMMISSION BUDGET INTRODUCTION

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GOALS



- Working knowledge of...
 - where the funding comes from
 - what restrictions are placed on its use
 - how and where we spend it
- Basic level of comfort to discuss and ask questions
- Foundation for zero-based budget analysis and long-term revenue plan

WDFW AT A GLANCE



12/8/2017

WDFW AT A GLANCE



WDFW AT A GLANCE



THREE THINGS TO KNOW *ABOUT THE* WDFW BUDGET

I. **What is in WDFW's budget?**

Examination of WDFW budget through different lenses

II. **How the budget is established and changed**

Legislative and agency processes for building, modifying, and managing the budget

III. **Context**

Historical perspective, recent decisions, & current predicament

THREE THINGS TO KNOW *ABOUT THE* WDFW BUDGET

I. What is in WDFW's budget? 8

- A. State-wide perspective 9
- B. Fund sources 10
- C. Flexibility 24
- D. Who contributes? 23
- E. Capital and operating budgets 29
- F. Administrative costs 32
- G. By program and FTE 33
- H. Activities 37

II. Establishing & changing the budget 40

- A. WDFW priorities, requests 41
- B. Establishing the budget 43
- C. WDFW implements and monitors 46

III. Context 49

- A. Recent history 50
- B. 2017-19 situation 51

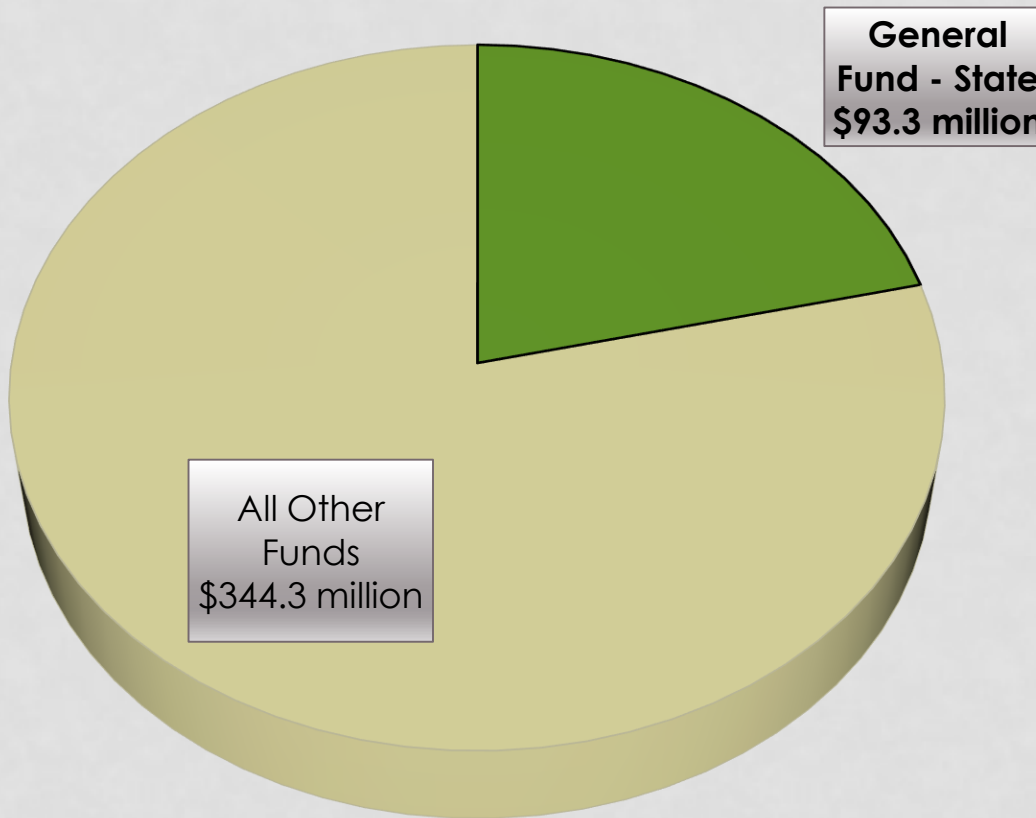
I. WHAT'S IN THE BUDGET?

WDFW's budget viewed through several "lenses"

- State-wide perspective
- Fund sources
- Flexibility of fund use
- Licensees' contributions
- Capital and operating budgets
- Direct and administrative costs
- Organizational Structure
- Activities



STATE-WIDE PERSPECTIVE

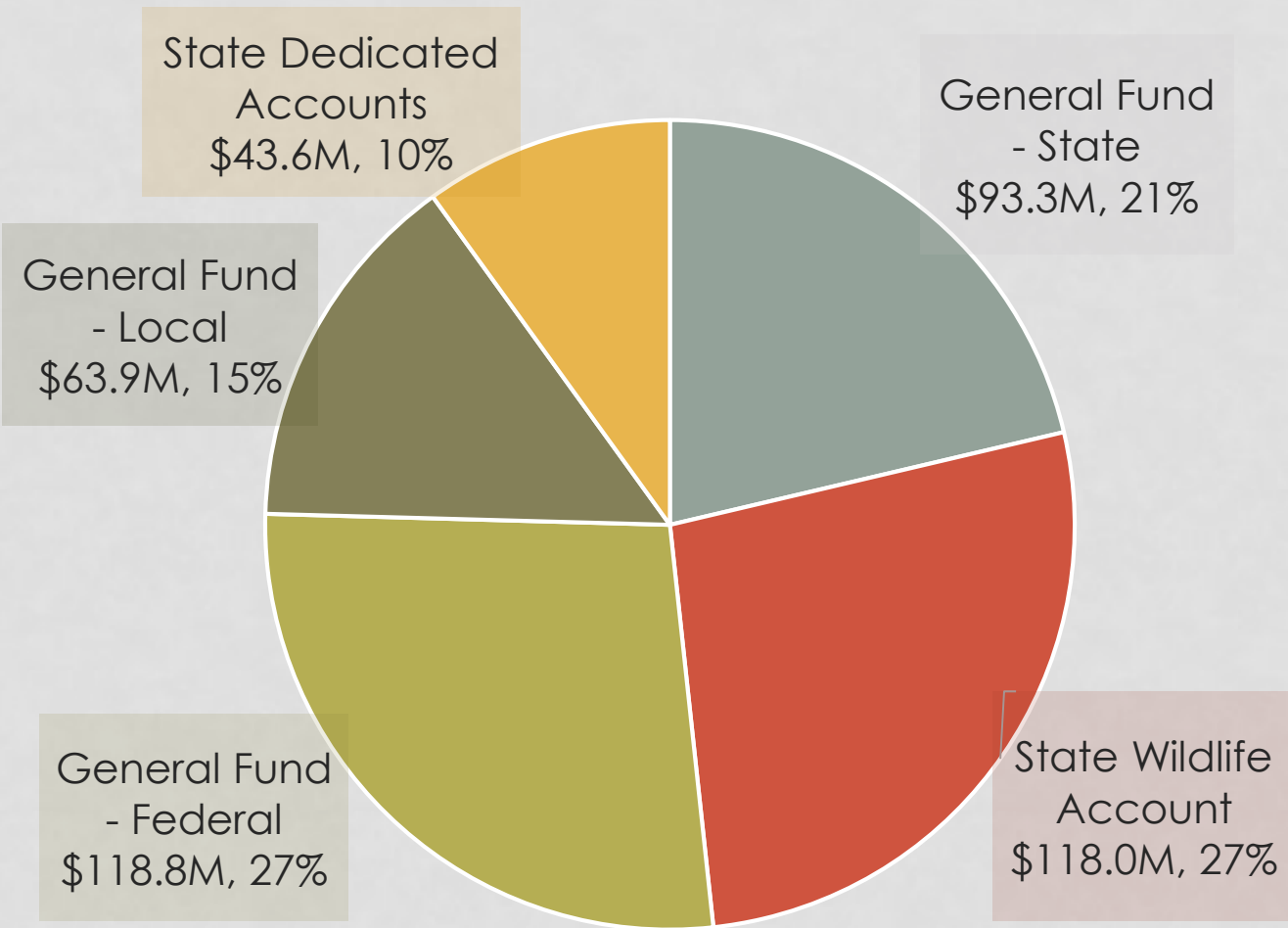


**WDFW Total
2017-19 Biennial
Operating Budget:
\$437.6 million**

**WDFW budget is
0.5% of state-wide
operating budget.**

**Natural resource
agency budgets are
2.1% of state-wide
operating budget.**

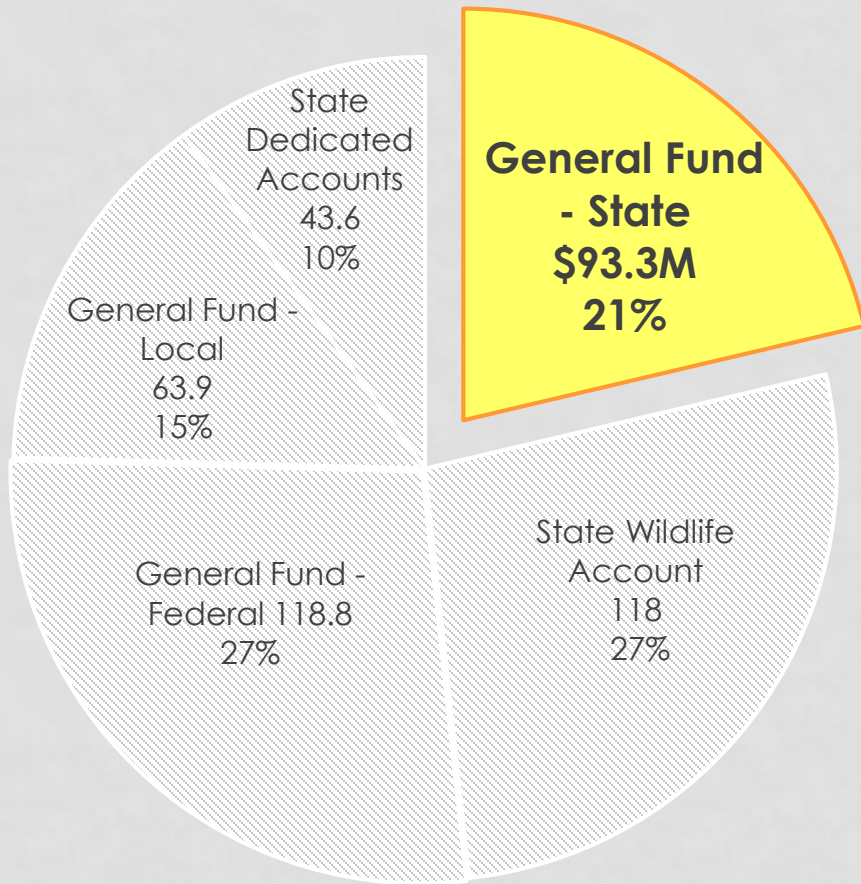
FUND SOURCES



**WDFW Total
2017-19 Biennial
Operating Budget:
\$437.6 million**

**Five categories
of fund sources**

GENERAL FUND - STATE

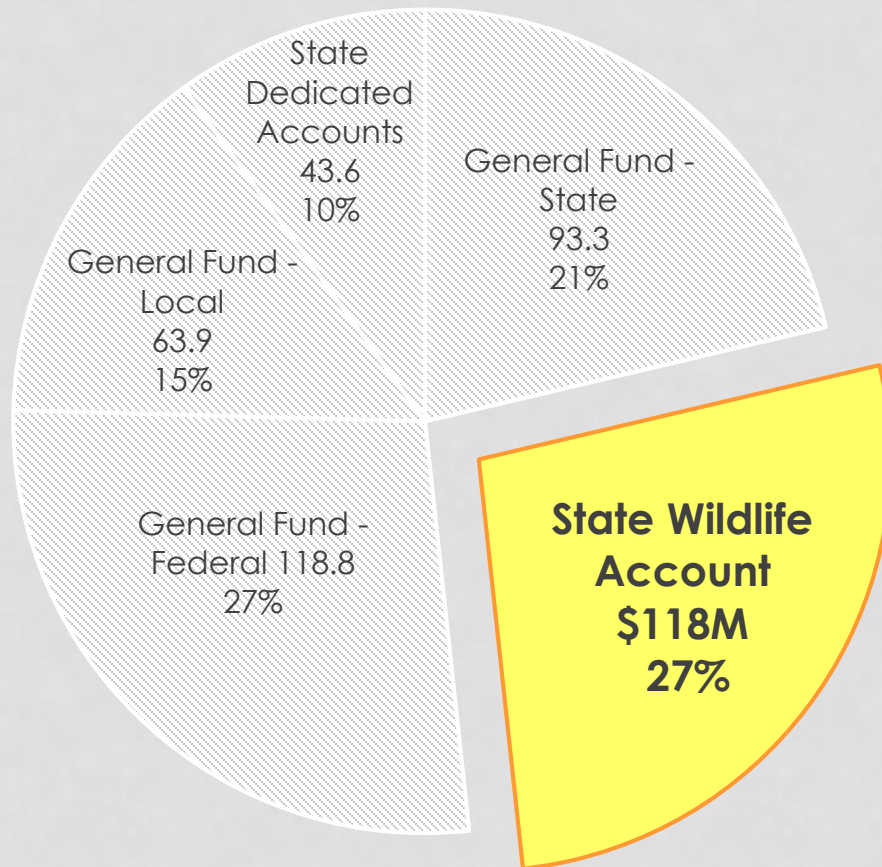


The principal state fund supporting the operation of the state

Funded by general tax dollars for broad purposes, and operations that are not fee-supported

Most flexible fund source

STATE WILDLIFE ACCOUNT

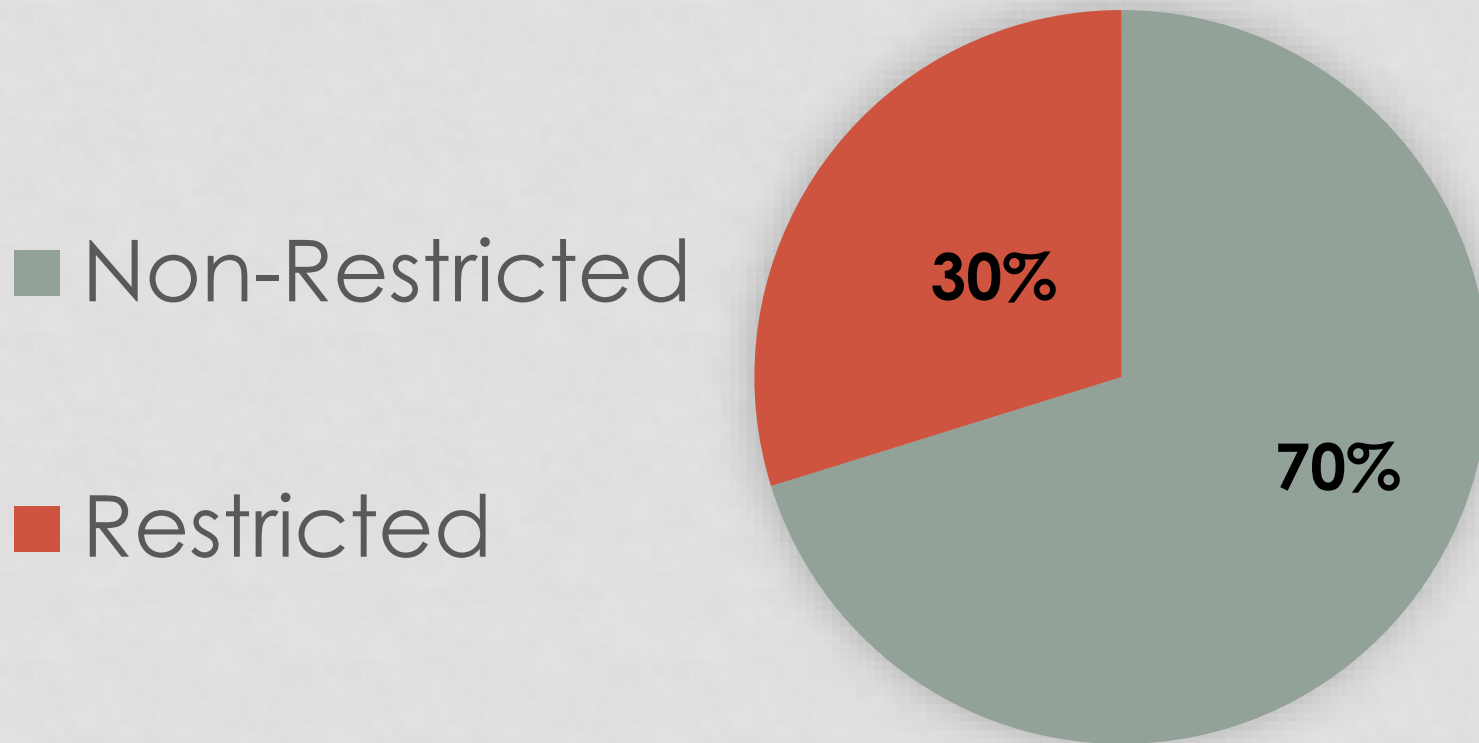


The Department's largest source of state funding.

One of the most complex accounts in the state treasury. Composed of 26 fund sources. Revenue and expenditures are tracked separately for each sub-account.

Revenue is primarily from recreational fishing and hunting licenses and other endorsements and user fees.

STATE WILDLIFE ACCOUNT RESTRICTED & NON-RESTRICTED



STATE WILDLIFE ACCOUNT DETAIL

Comm'l Fishing Lic Appl'n Fees & New Comm'l Fees/Excise Tax

Background License Plates

Personalized License Plates

Firearm Permits

WILD Transaction Fee

Discover Pass

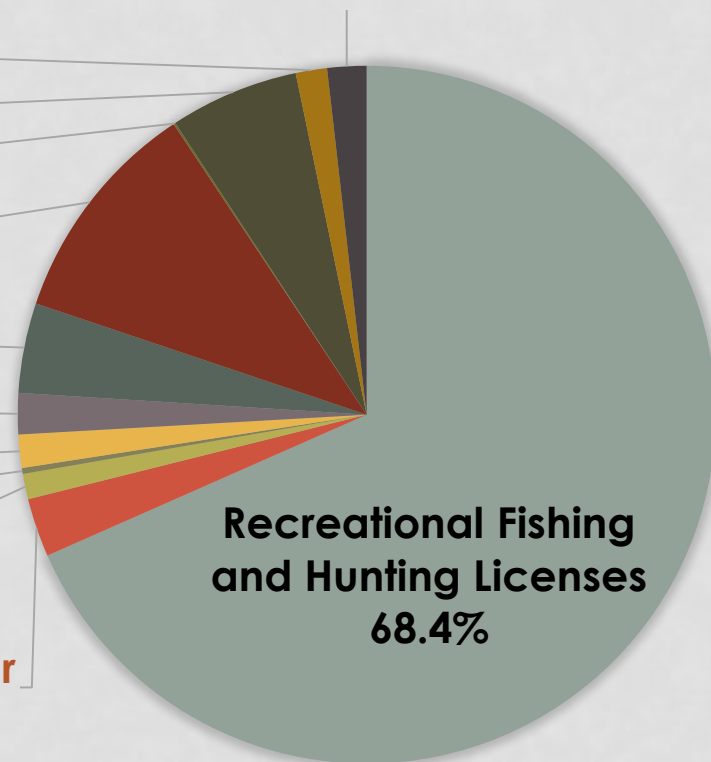
Two-Pole Fishing

Auction/Raffle

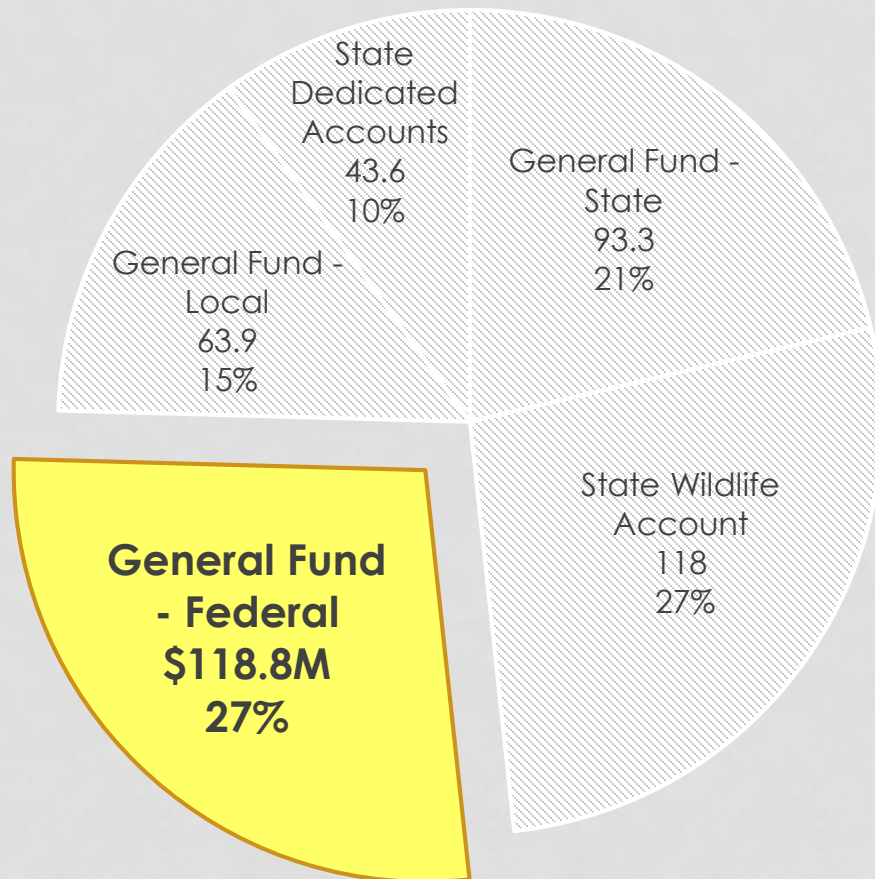
Turkey Tags

Duck and Bird Stamps

PS Crab Endorsement/Derelict Gear



GENERAL FUND - FEDERAL



Four types of funding from the federal government:

1. Formula-based, block grants
 - Pittman-Robertson, Dingell-Johnson
2. Competitive grants
 - from EPA, NOAA
3. Mitigation contracts
 - Mitchell Act, BPA
4. Contracts to support federal agency work

GENERAL FUND – FEDERAL PITTMAN-ROBERTSON

2015-17 Biennium Spending: \$ 29 million

History:

Wildlife Restoration Act (1937) created to “restore, conserve, manage, and enhance wild birds and mammals and their habitat.”

Restrictions:

Planning, enhancement, and implementation of programs for wildlife and their habitats.

WDFW Uses:

- Game Population Surveys
- Operation and Maintenance of Wildlife Areas
- Hunter Education

Note: These funds are contingent on the State attesting to use fish and wildlife license fees only for the administration of the fish and wildlife agency.

GENERAL FUND – FEDERAL DINGELL-JOHNSON

2015-17 Biennium Spending: \$15.1 million

History: Sports Fish Restoration Act (1950) created to “better manage America’s fishery resources.”

Restrictions:

- Land Acquisitions and Development
- Research
- Sport Fish Population Management
- Operations and Maintenance

WDFW Uses:

- Fish surveys
- Fish management
- Operate and maintain water access sites
- No production

Note: These funds are contingent on the State attesting to use fish and wildlife license fees only for the administration of the fish and wildlife agency.

GENERAL FUND – FEDERAL BONNEVILLE POWER ADMINISTRATION

2015-17 Biennium Spending: \$ 24.1 million

History: Northwest Power Act (1980) created to “protect, mitigate and enhance fish and wildlife on the Columbia River and its tributaries.”
Mitigation for operation of the Federal Columbia River Power System

Restrictions:

Projects approved by the Northwest Power and Conservation Council.

WDFW Uses:

- Fish Population Monitoring
- Hatcheries
- Fish Screens
- Salmon Habitat Restoration
- Land Operations and Maintenance

GENERAL FUND – FEDERAL MITCHELL ACT

2015-17 Biennium Spending: \$14.2 million

History:

Mitchell Act (1938) created to improve salmon and steelhead populations impacted by federal hydropower projects around the Columbia River.

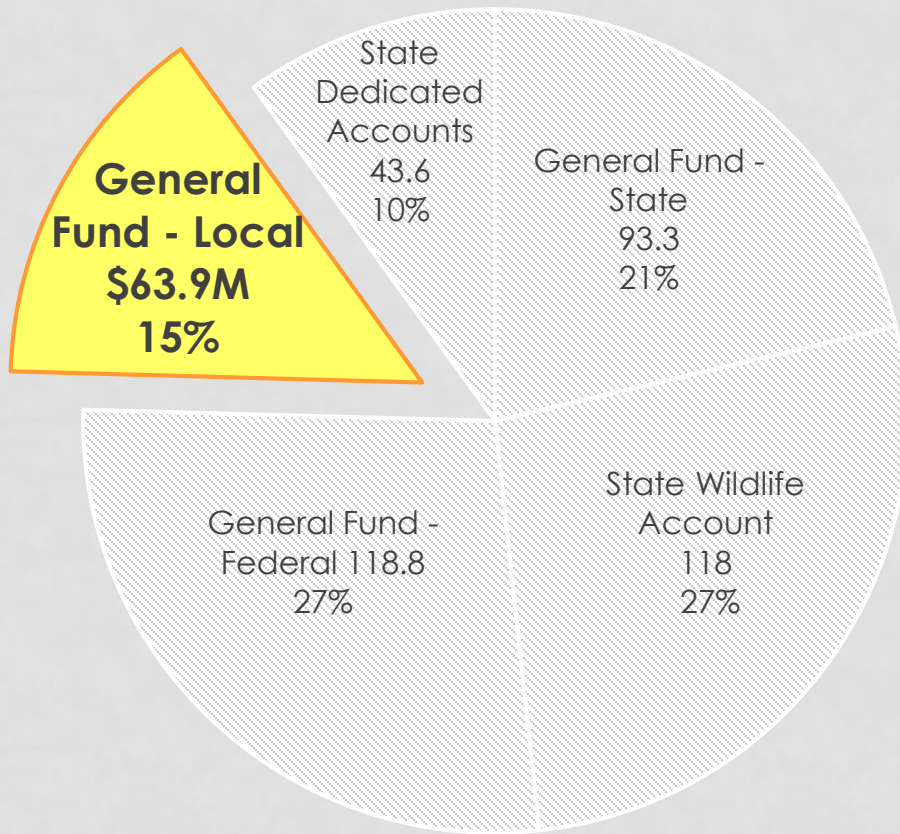
Restrictions:

Protect and enhance salmon and steelhead in the Columbia River Basin.

WDFW Uses:

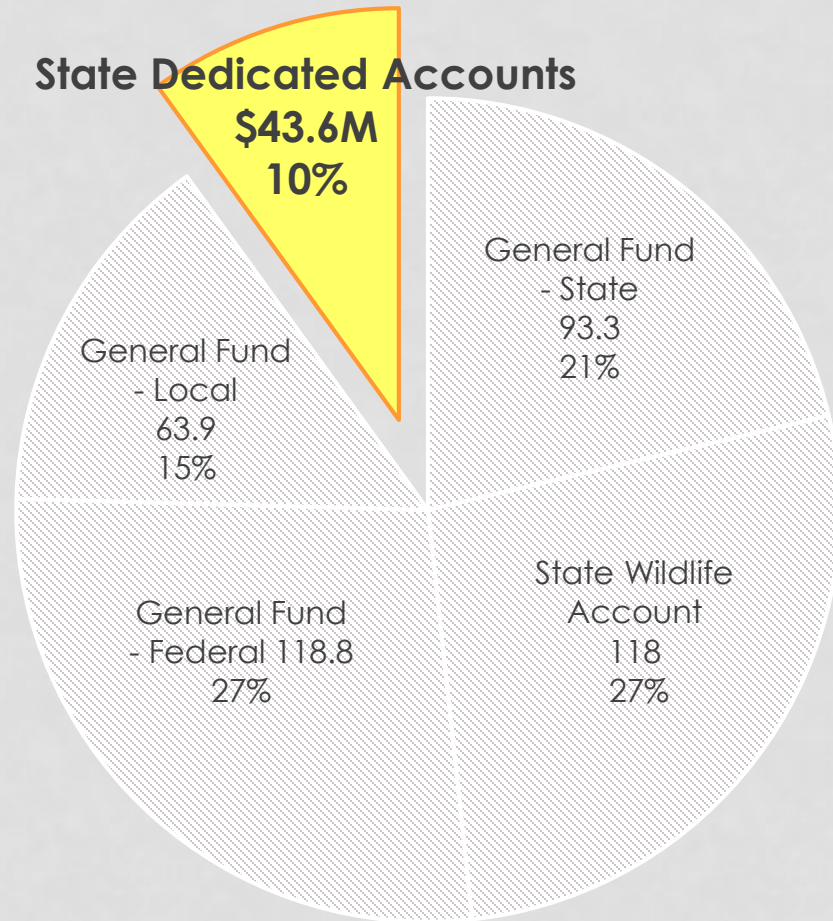
- Salmon and steelhead production and mass marking on the Columbia
- Salmon and Steelhead management on the Columbia River
- Salmon and Steelhead research on the Columbia River

GENERAL FUND - LOCAL



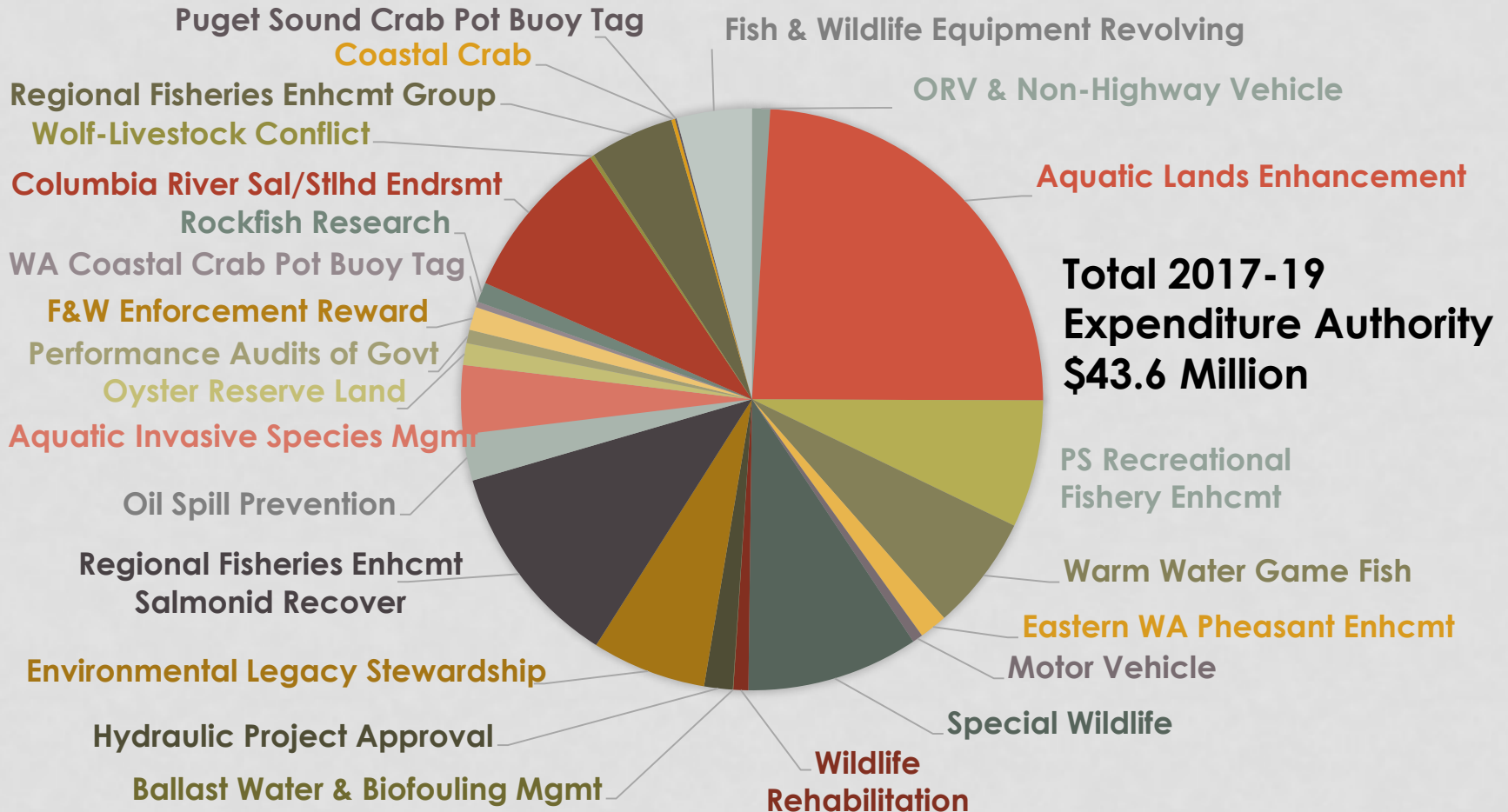
General Fund-Local funds are primarily mitigation contracts with public utility districts.

STATE DEDICATED ACCOUNTS

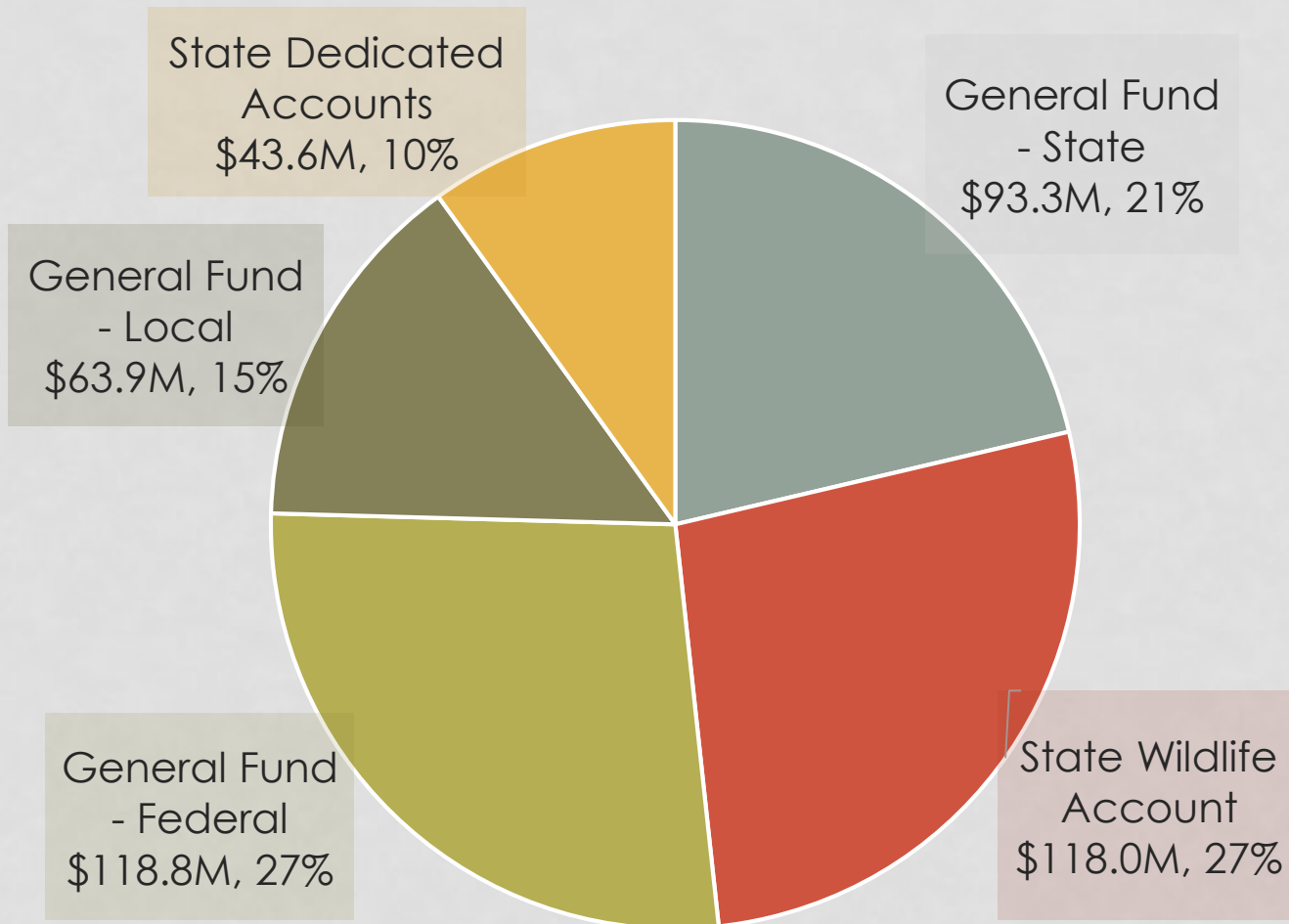


25 other state accounts, each dedicated to a specific purpose

25 STATE DEDICATED ACCOUNTS



FUND SOURCES: RE-CAP



FLEXIBILITY OF FUNDING

Discretionary/Flexible



Prescriptive/Inflexible

General Fund—State

Non-Restricted Wildlife State

PR and DJ

Personalized License Plates

BPA

General Fund—State proviso

NMFS Agreement for Killer Whale

WHO CONTRIBUTES TO WDFW'S BUDGET?

Fee payers

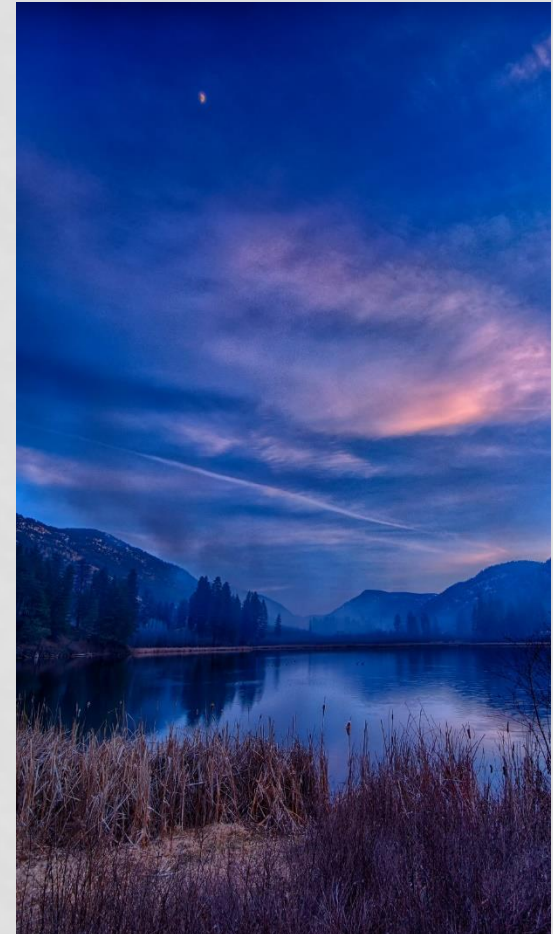
- Fishing & hunting licenses
- License plates
- Discover Pass

Rate payers

- BPA Customers
- PUD Customers

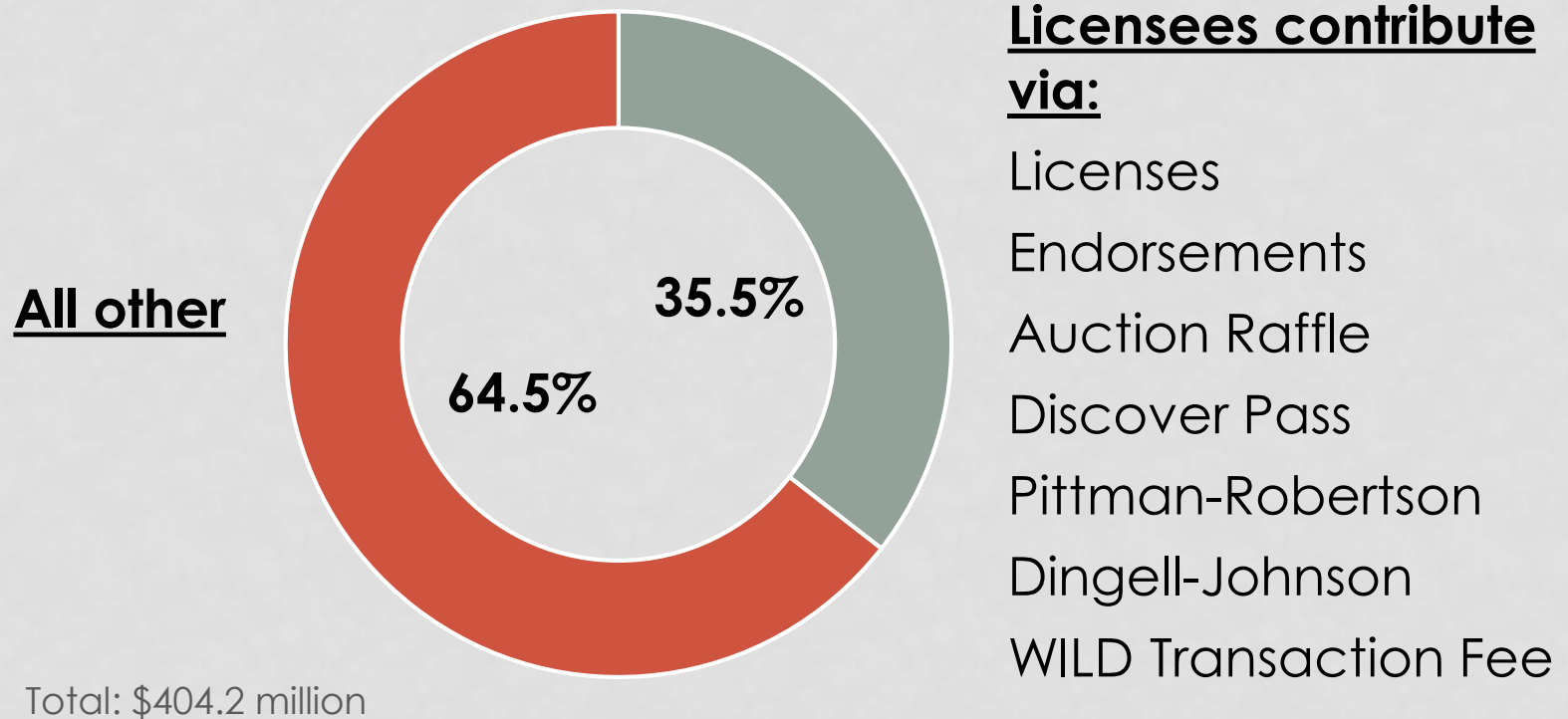
Tax payers

- Federal income & equipment taxes
- State sales, business, & property taxes

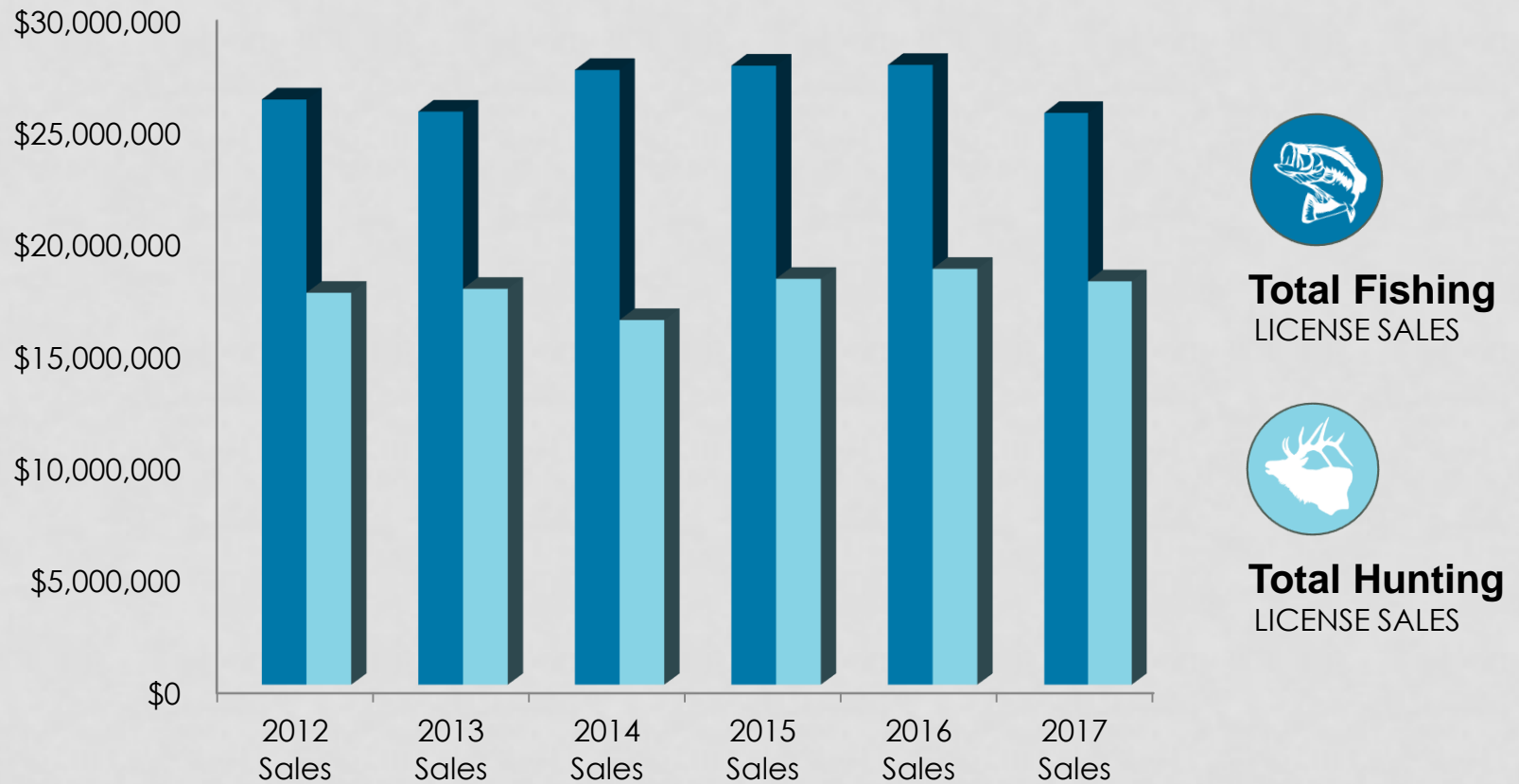


LICENSEES CONTRIBUTE VIA...

2015-17 Operating Expenditures



LICENSE REVENUE OVER TIME



HUNTING AND ANGLING CUSTOMERS

Hunters (FY)

2013	2014	2015	2016	2017
180,772	182,167	181,911	182,773	179,056

Anglers (FY)

2013	2014	2015	2016	2017
696,848	742,522	732,695	727,846	677,463

CAPITAL *AND* OPERATING BUDGETS

Operating Budget:

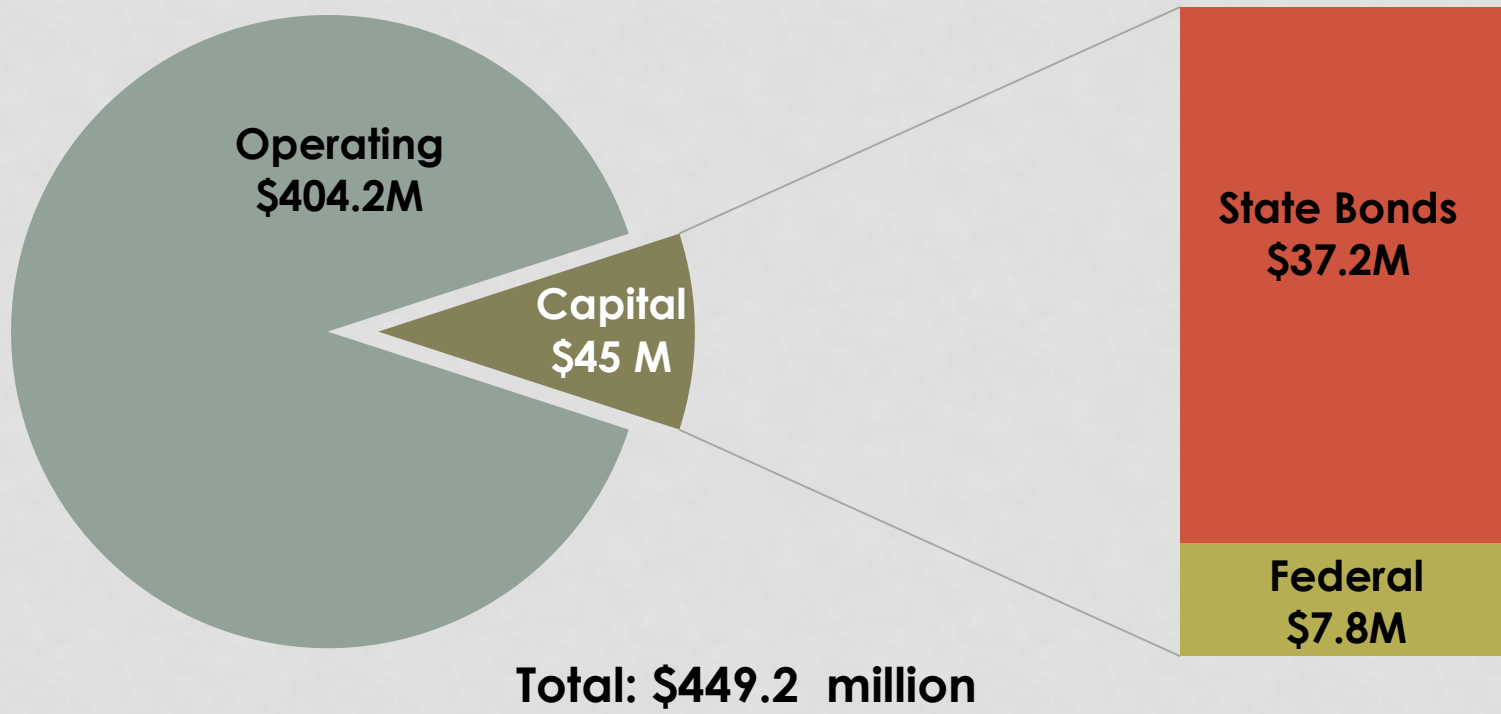
- Ongoing costs of running state government
- Funded with revenue that does not rely on borrowing
- Built incrementally

Capital Budget:

- Project based funding benefits taxpayers over time.
- One-time in nature
- Not built incrementally

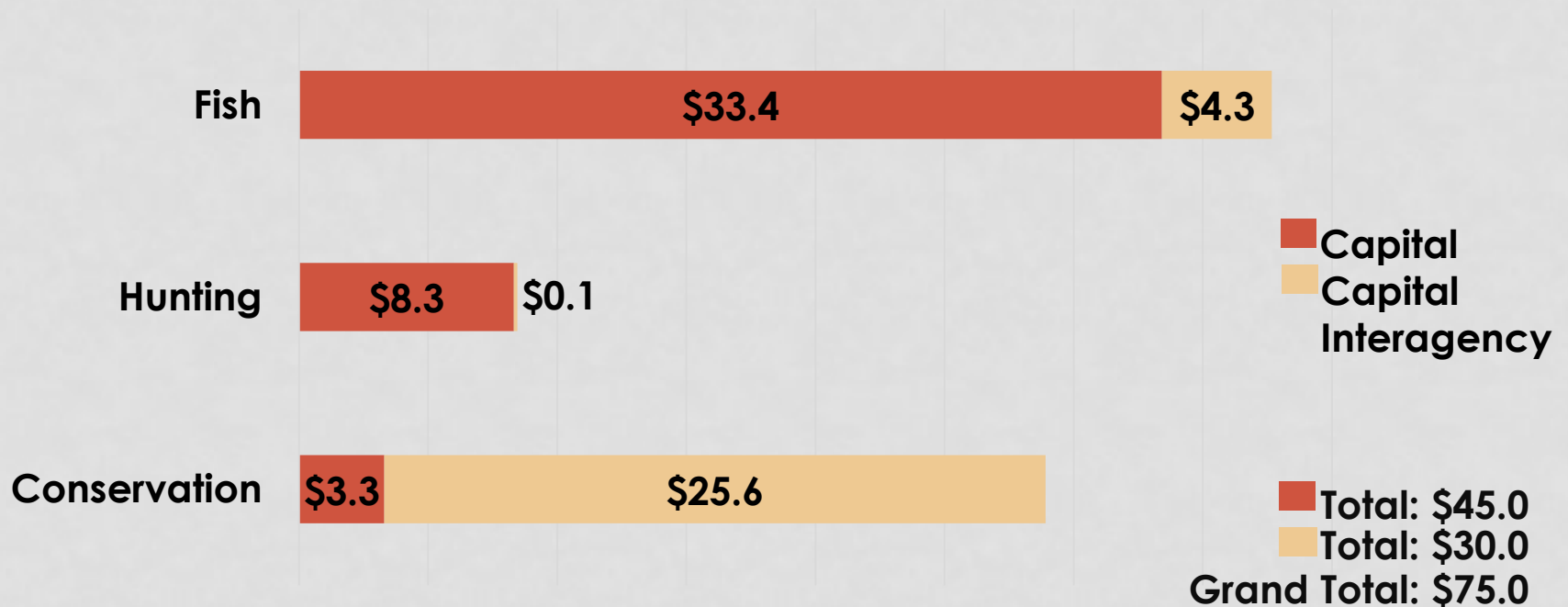
CAPITAL *AND* OPERATING BUDGETS

2015-17 Biennial Operating & Capital Expenditures



CAPITAL BUDGET

2015-17 Biennial Capital Expenditures (in millions)

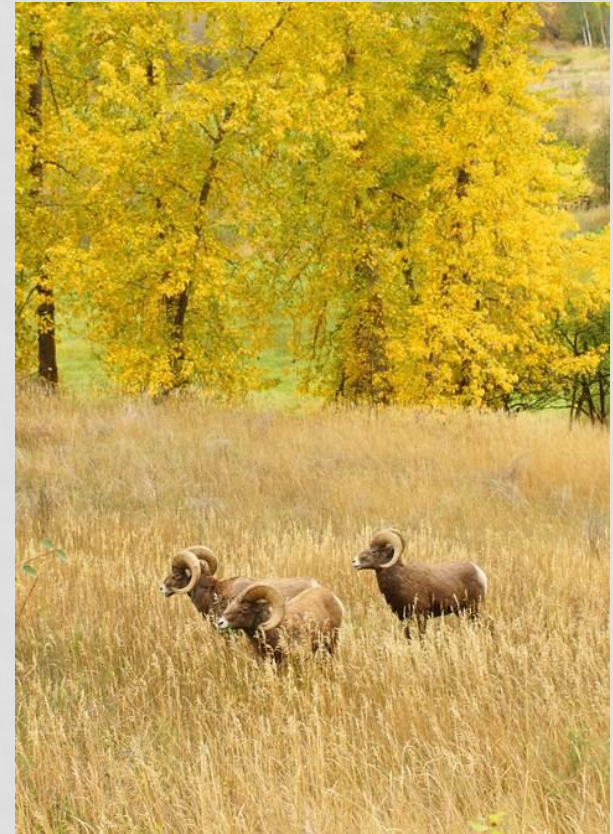


ADMINISTRATIVE COSTS

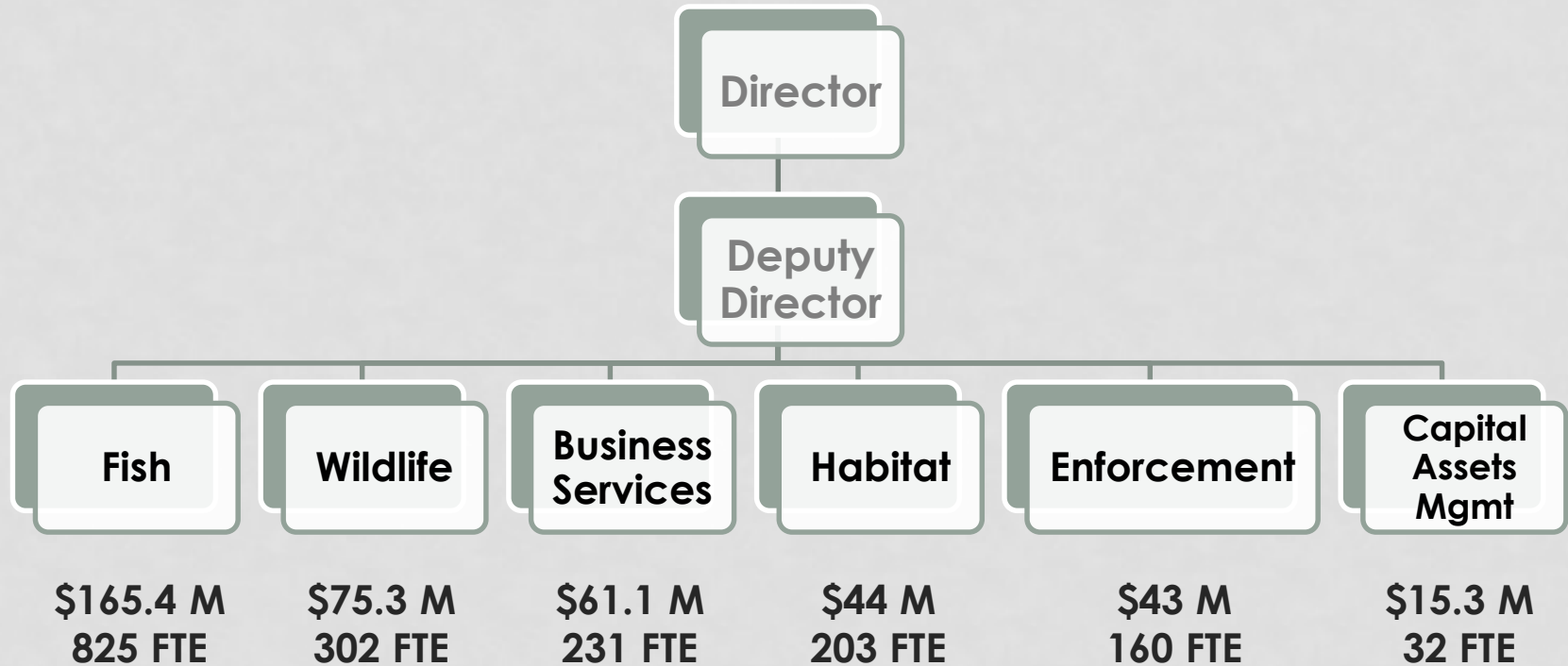
Administrative costs are spread proportionately across all fund sources. The Dept of Interior approves WDFW's indirect rate: 32.46% for current fiscal year.

Examples:

- Director's Office and Senior Management
- Facilities
- Human Resources
- Budget/Contract/Finance/IT
- Program Administrative Support

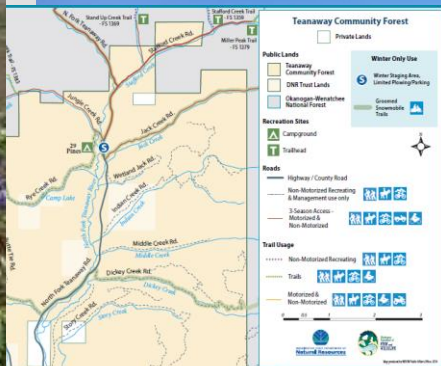


BY PROGRAM *AND* FTE



2015-17 Operating Expenditures: \$404.2 million

WHAT DOES IT TAKE TO OPEN AN ELK SEASON IN GMU 335?



WILDLIFE AREA MANAGEMENT



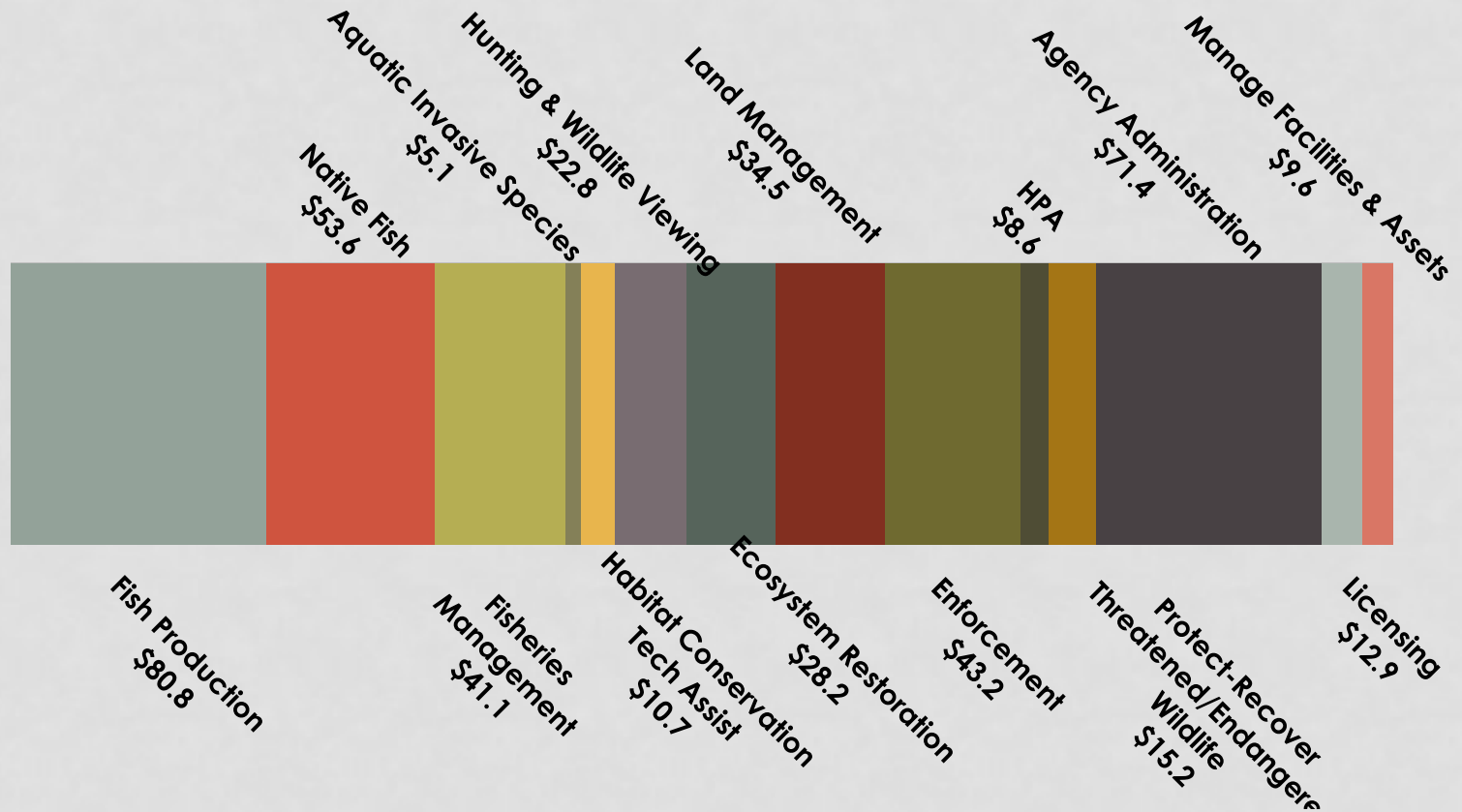
- State General Fund
- PR/DJ Federal
- Discover Pass
- Hunter/Angling Licenses
- Mitigation Contracts
- Program Income
- Grants/Partner Projects
- Capital Budget

MULTIPLE FUNDING SOURCES USED TO ACCOMPLISH OBJECTIVES



ACTIVITIES

2017-19 Operating Budget by Activity: \$437.6 million



SUMMARY *OF* WHAT'S IN THE BUDGET

- Five major categories of operating budget, plus capital budget
- Each category has differing levels of flexibility
- Administrative costs charged to all accounts
- Communication challenges of a complex budget



PRESENTATION CHECK: WHAT'S BEEN COVERED?

I. What is in WDFW's budget? 8

- A. State-wide perspective 9
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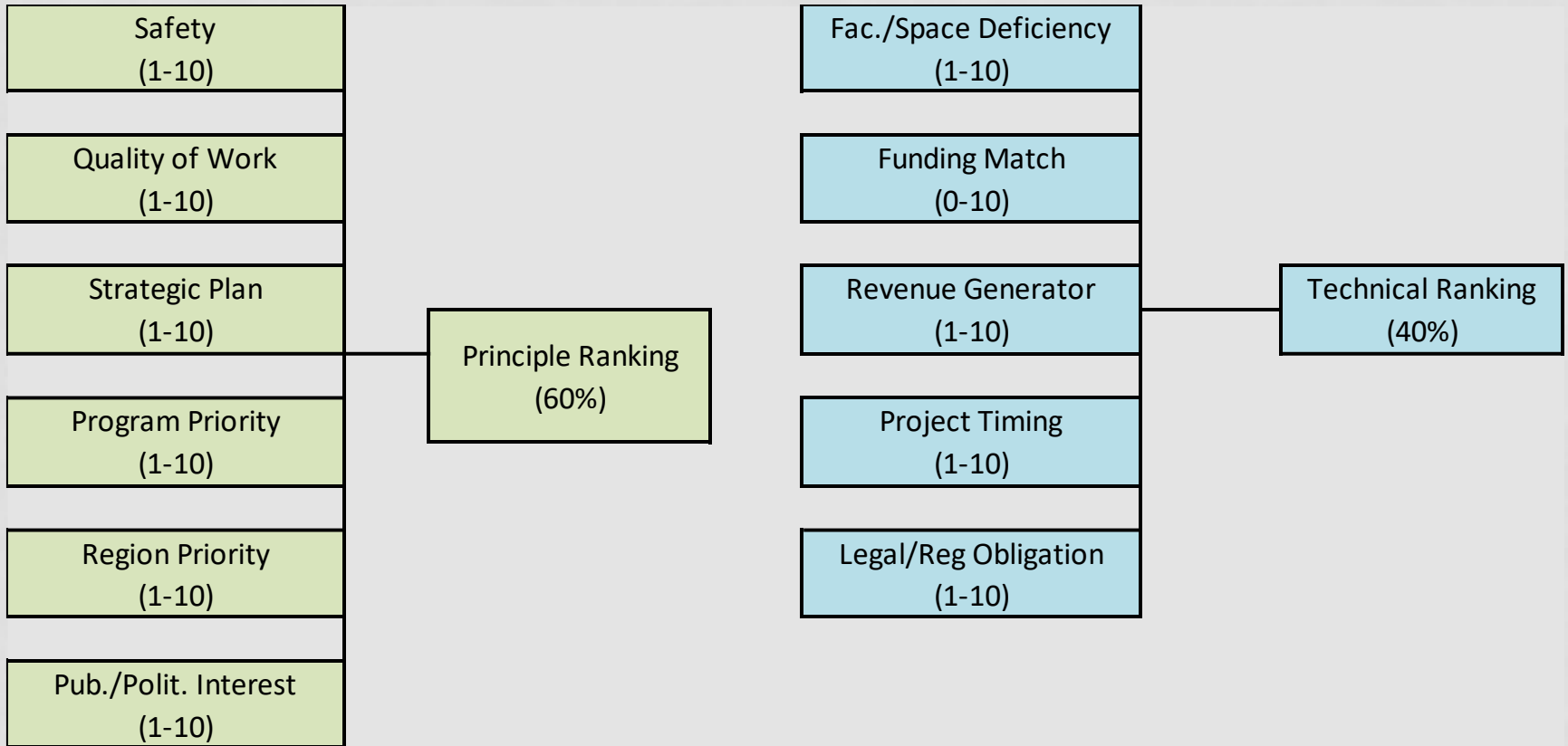
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II. HOW THE BUDGET IS ESTABLISHED AND CHANGED

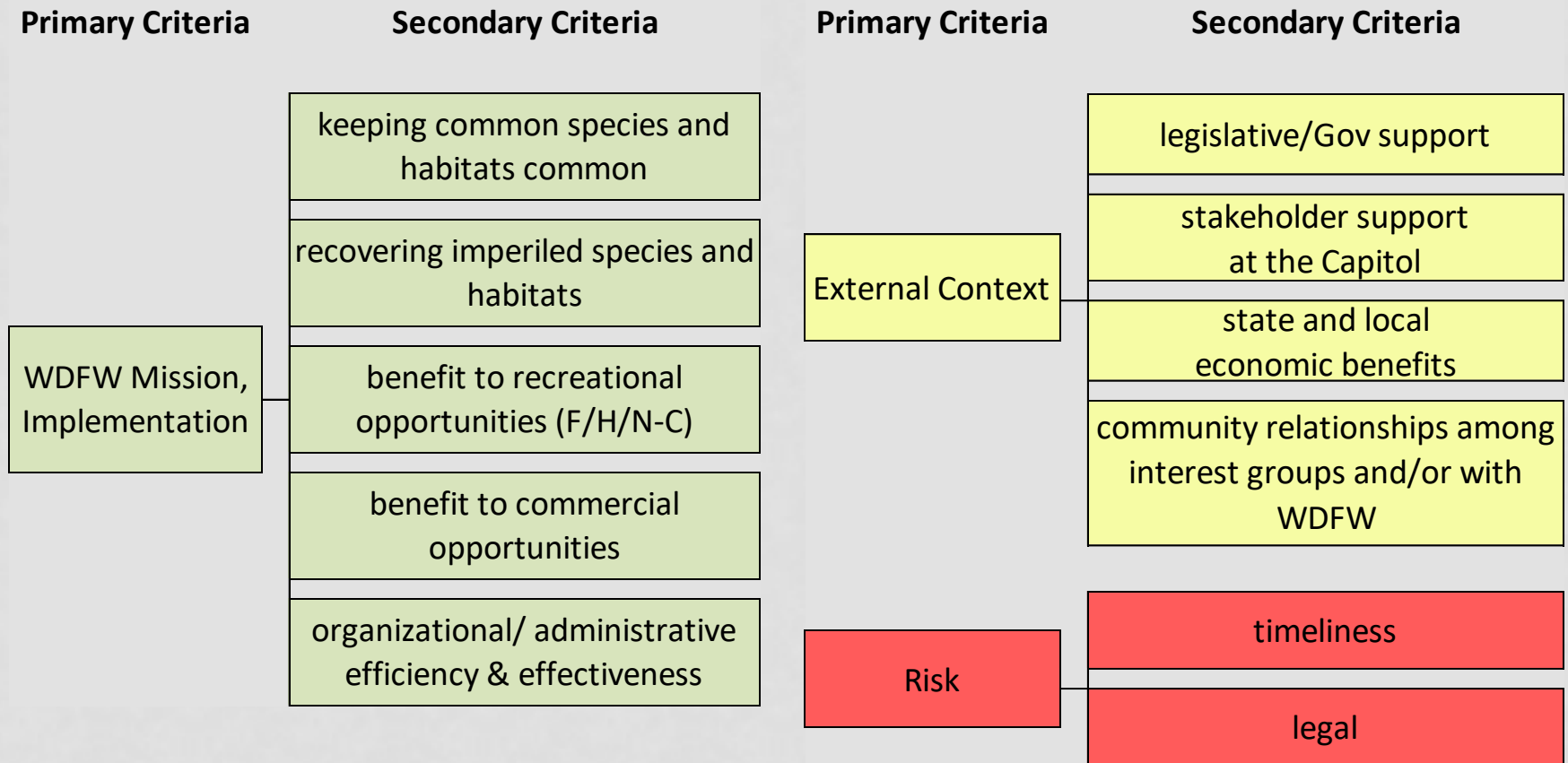
Several interconnected processes:

- Development in WDFW and Commission
- Adoption by Legislature and Governor
- Implementation and monitoring in WDFW

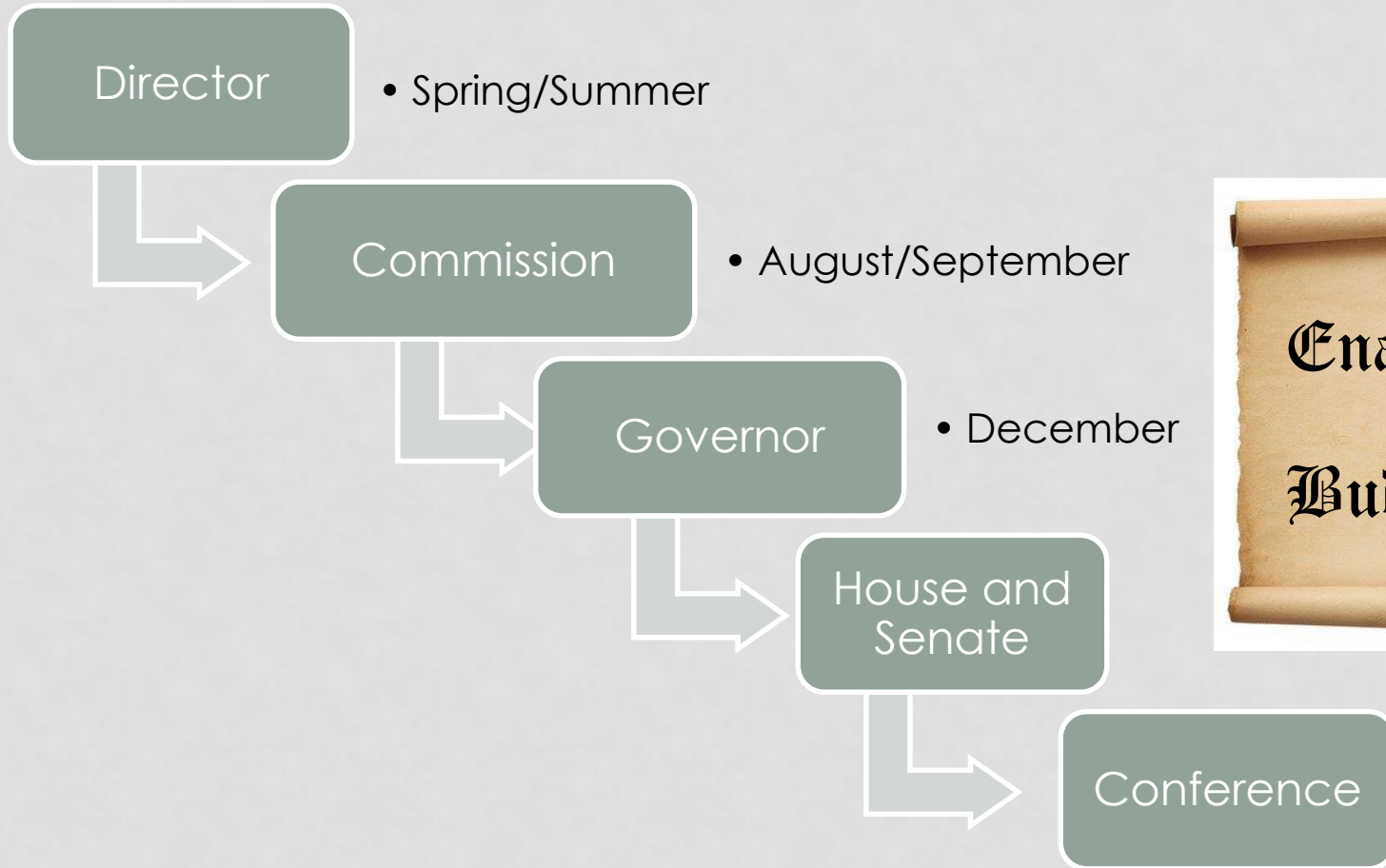
CAPITAL BUDGET PRIORITIZATION CRITERIA



OPERATING BUDGET PRIORITIZATION CRITERIA



ESTABLISHING THE BUDGET



ESTABLISHING THE BUDGET

- Expenditure Authority aka Appropriations
 - Operating budget is built incrementally
 - Accounts must have revenue to spend to appropriated level
 - Agencies request funding in decision packages
 - The legislature appropriates funding
 - Provisos further limit and condition appropriations

21	<u>NEW SECTION.</u> Sec. 307. FOR THE DEPARTMENT OF FISH AND WILDLIFE	
22	General Fund—State Appropriation (FY 2018)	\$46,860,000
23	General Fund—State Appropriation (FY 2019)	\$46,483,000
24	General Fund—Federal Appropriation	\$118,809,000
25	General Fund—Private/Local Appropriation	\$63,920,000
26	ORV and Nonhighway Vehicle Account—State Appropriation . . .	\$437,000
27	Aquatic Lands Enhancement Account—State	
28	Appropriation	\$10,460,000
29	Recreational Fisheries Enhancement—State	
30	Appropriation	\$3,084,000
31	Warm Water Game Fish Account—State Appropriation	\$2,773,000
32	Eastern Washington Pheasant Enhancement Account—State	
33	Appropriation	\$675,000
34	State Wildlife Account—State Appropriation	\$118,033,000
35	Special Wildlife Account—State Appropriation	\$71,000
36	Special Wildlife Account—Federal Appropriation	\$505,000
37	Special Wildlife Account—Private/Local Appropriation . . .	\$3,576,000
38	Wildlife Rehabilitation Account—State Appropriation	\$361,000

ESTABLISHING THE BUDGET

License Revenue

- Only the legislature can amend fees in statute
- WDFW can propose legislation to maintain or increase fees

27 package. A hunter may not purchase more than one license for each big
28 game species except as authorized by rule of the commission. The fees
29 for annual big game combination packages are as follows:

30 (a) Big game number 1: Deer, elk, bear, and cougar. The fee for
31 this license is ~~((eighty-five))~~ ninety-three dollars and fifty cents
32 for residents, ~~((seven))~~ eight hundred ~~((eighty))~~ fifty-eight dollars
33 for nonresidents, and ~~((forty))~~ forty-four dollars for youth.

34 (b) Big game number 2: Deer and elk. The fee for this license is
35 ~~((seventy-five))~~ eighty-two dollars and fifty cents for residents,
36 ~~((six))~~ seven hundred ~~((seventy))~~ thirty-seven dollars for
37 nonresidents, and ~~((thirty-five))~~ thirty-eight dollars and fifty
38 cents for youth.

IMPLEMENTING THE BUDGET

- Executive Management Team
 - One Agency
 - Fund Alignment
 - Re-visit priorities in flexible funding during reductions
- Central Budget Office establishes control numbers
- Programs—Allotments (i.e., spending plans)
- Monitor throughout the biennium

SUMMARY *OF* HOW THE BUDGET IS ESTABLISHED AND CHANGED

- Budget Year 'Round
 - Close-out previous
 - Implement current
 - Develop requests for next year/biennium
- Director => Commission => Governor => Legislature
=> Governor for Adoption and Vetoes

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III. CONTEXT

- Recent history
- Recap of 2017 legislative session
- Understanding the budget shortfall

RECENT HISTORY

2009-11 – GF-S appropriations reduced by nearly \$38 million

2009 – Temporary 10% Recreational license surcharge

2011 – Discover Pass created

2011 – Recreational fees increases and commercial application fees

2015 – Requested fee increase (not enacted)

2016 –WDFW was directed to spend down State Wildlife Account reserves

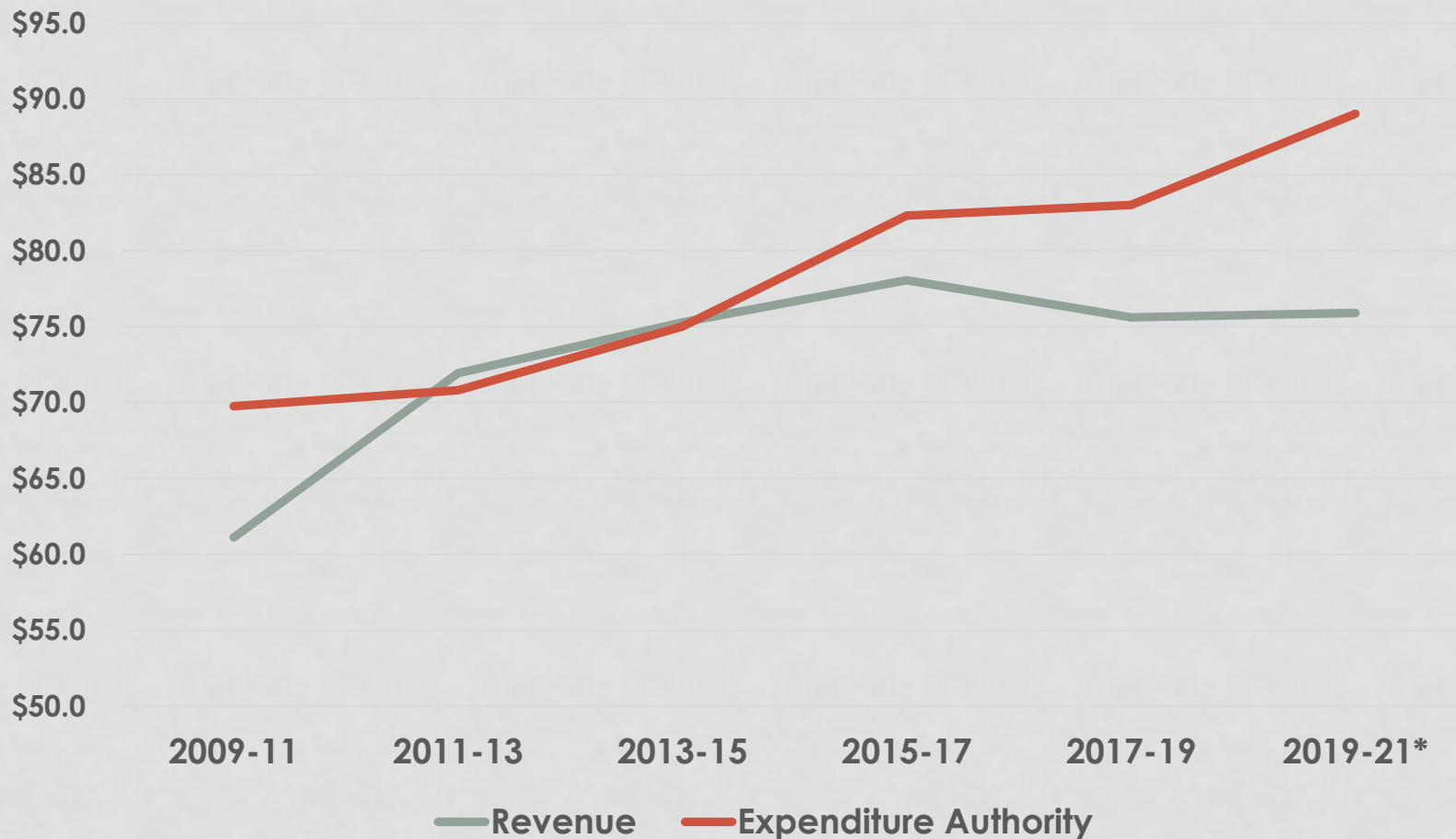
2017 – Fee increase requested to both recreational and commercial licenses

- General Fund-State requested to support tribal treaty obligations and other general public benefits.
- Recreational increase not enacted; a portion of the commercial fee bill was authorized
- \$10.1 GF-S

2017 LEGISLATIVE SESSION

- Budget shortfall projected during the 2017 session was \$25M
 - Structural Deficit- More costs than revenue
 - Maintain Fishing (ESA requirements, increasing staff costs, flat federal funding)
- Expenses continue to outpace revenue in the non-restricted State Wildlife Account.
- Budget shortfall was partially addressed with one-time funding last session (\$10.1M GF-S).

NON-RESTRICTED STATE WILDLIFE ACCOUNT STRUCTURAL DEFICIT



STRUCTURAL DEFICIT EFFECT ON FUND BALANCE

Non-Restricted State Wildlife Account Projected Ending Fund Balances



CRUCIAL CONCEPT

The legislative budget gives agencies *authority* to spend via an *appropriation*.

However, they can do so without verifying if there is enough money 'in the bank' to cover expenditure authority.

What's this mean to WDFW?

The legislature can provide authority to spend, but not the capacity – sufficient revenue has to be available to cover increasing costs.

CRUCIAL CONCEPT: EXAMPLE

**“Final Budget
Gives 2% COLA
to State Workers”**

Three agencies each with \$1M of salaries

Agency A: 100% GF-S funded

- New appropriation of \$20,000, no loss in capacity

Agency B: 50% GF-S, 50% federal grants

- New appropriations: GF-S \$10,000, \$10,000 federal
- But the federal agency didn't increase the contract
- State portion is covered, but federal direct capacity is reduced by \$10,000
- Potential to re-negotiate future contract with increased staff costs during the next federal grant cycle

CRUCIAL CONCEPT: EXAMPLE

“Final Budget

**Gives 2% COLA
to State Workers”**

Agency C: 30% GF-S, 30% Federal, 40% Fees

- New appropriations to cover COLA:
 - \$6,000 GF-S, \$6,000 federal, \$8,000 fee supported account
- But federal agency didn't increase contract, & fee revenue wasn't increased
- Results in a loss of capacity for direct work:
 - \$6,000 GF-S is covered but the federal and fee supported work loses \$14,000 in capacity
- Federal and fee supported capacity can only be regained through:
 - federal grant re-negotiation, and fee increase by the legislature

WDFW: > 50 different fund sources

NON-DISCRETIONARY COST INCREASES

Since the 2015 legislative session, COLAs and benefits have increased significantly.

These costs have increased \$32.9 million.

2017-19 BUDGET BALANCING STRATEGY

Problem Statement (State Wildlife Account & GF-S)	(dollars in millions)
License shortfall and additional budget reductions	(\$15.0)
Shortfall to maintain fisheries	<u>(\$12.0)</u>
2017-19 Budget Problem Statement	(\$27.0)
Solutions to balance budget	
One-time GF-S enhancement	\$10.1
Reduce Wildlife Account reserves	\$3.2
Delay equipment purchases	\$4.5
All funds pay fair share of administrative costs	\$1.1
Use of restricted fund balances	\$2.3
Additional cuts to balance	<u>\$5.8</u>
Total Solutions	\$27.0

DIRECT BUDGET CUTS

Legislative proviso direction:

“...avoid cuts to hatcheries and minimize impacts to hunting and fishing.”

- Cut positions
- Don't fill selected vacant positions
- Fishing impacts
 - Forego triploid trout stocking in 2017-19BN
 - Reduce E WA lake treatments for trout stocking
 - Reduce oyster seeding on 30 recreational beaches
- Wildlife impacts
 - Reduce winter feeding
 - Reduce WL-S funding available for crop damage claims

LONG-TERM REVENUE PLAN

Target

- Budget Review
- Efficiencies
- Zero-Based Budget Analysis
 - Re-purpose funding?
 - Enhancements?

Principles

- Who benefits?
- Cost recovery or revenue generation?

Options

- Ability to achieve outcomes?
- Political viability?



SUMMARY OF CONTEXT

- WDFW budget challenges; majority of the solutions for 2017-19 are one-time and can't be used again.
- Implement efficiencies and operational improvements.
- Re-purpose existing funding and align revenue sources.
- Define targets that will achieve outcomes.
- Develop long-term revenue plan with politically-viable options and secure financial stability for the Department.

NEXT STEPS

- What information requests does the Commission have about WDFW budget and activities?
- Zero-Based Budget Analysis
 - Identify options to re-purpose (where possible) funding to higher priority
 - Identify where enhancements are needed to achieve objectives
- Long-Term Revenue Plan
- Develop 2019-21 Budget Requests and accompanying agency-request legislation

QUESTIONS/DISCUSSION

