

WDFW FISH & WILDLIFE COMMISSION PROVISO WORKSHOP

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OUTLINE



- Budget Overview
 - (20 min)
 - Continue from Dec 2017
- Input on Findings in the Operational Assessment
 - (30 min)
- Proviso Workshops in Winter 2018
 - (10 min)
- Zero-Based Budget Analysis
 - (60 min)

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

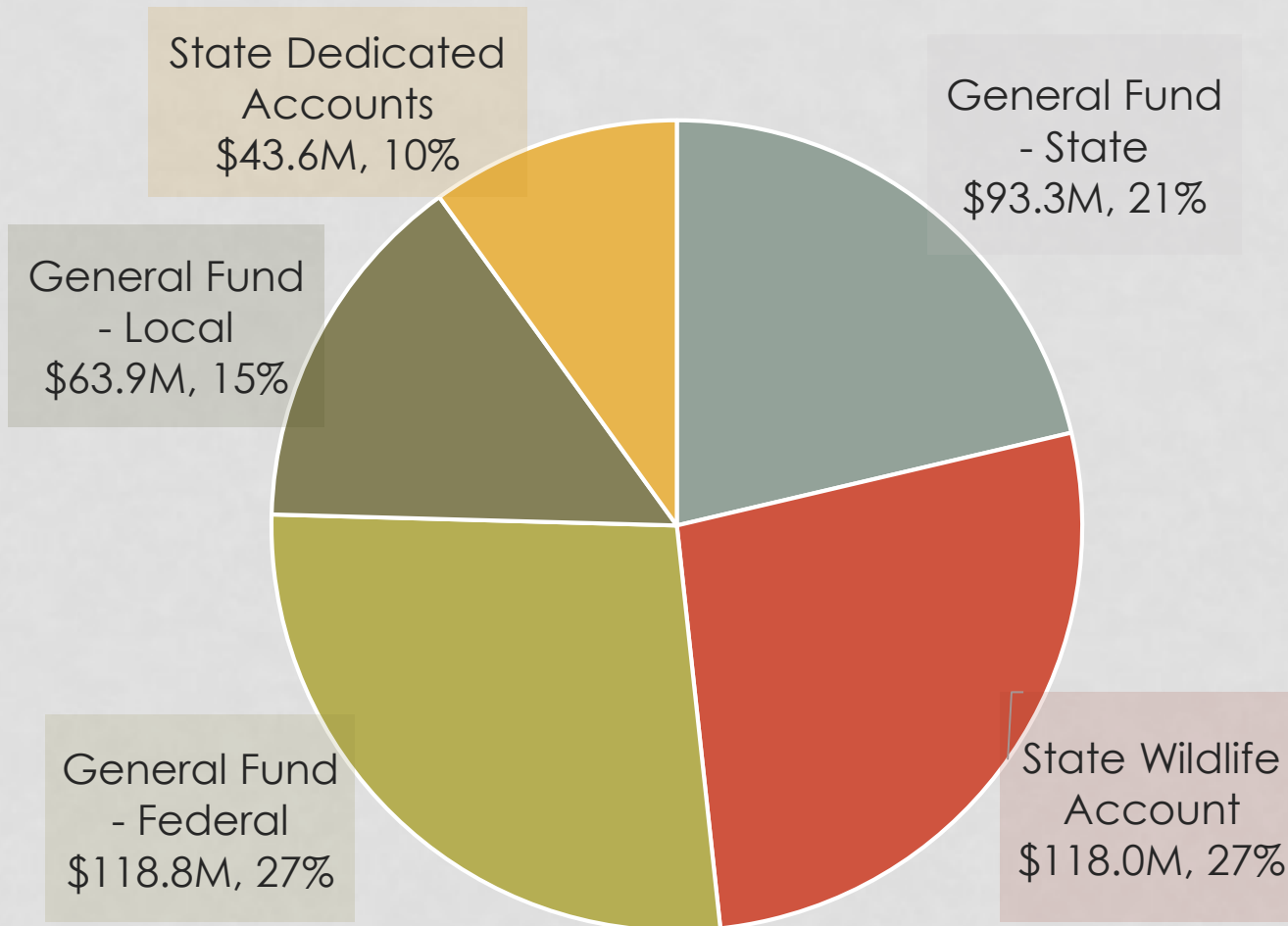
I. WHAT'S IN THE BUDGET?

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



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

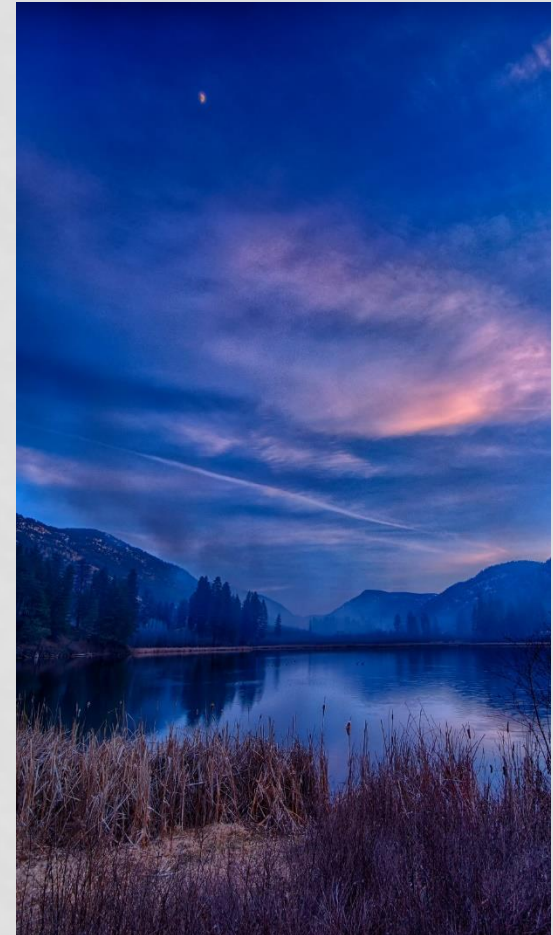
- Fishing & hunting licenses
- License plates
- Discover Pass

Rate payers

- BPA Customers
- PUD Customers

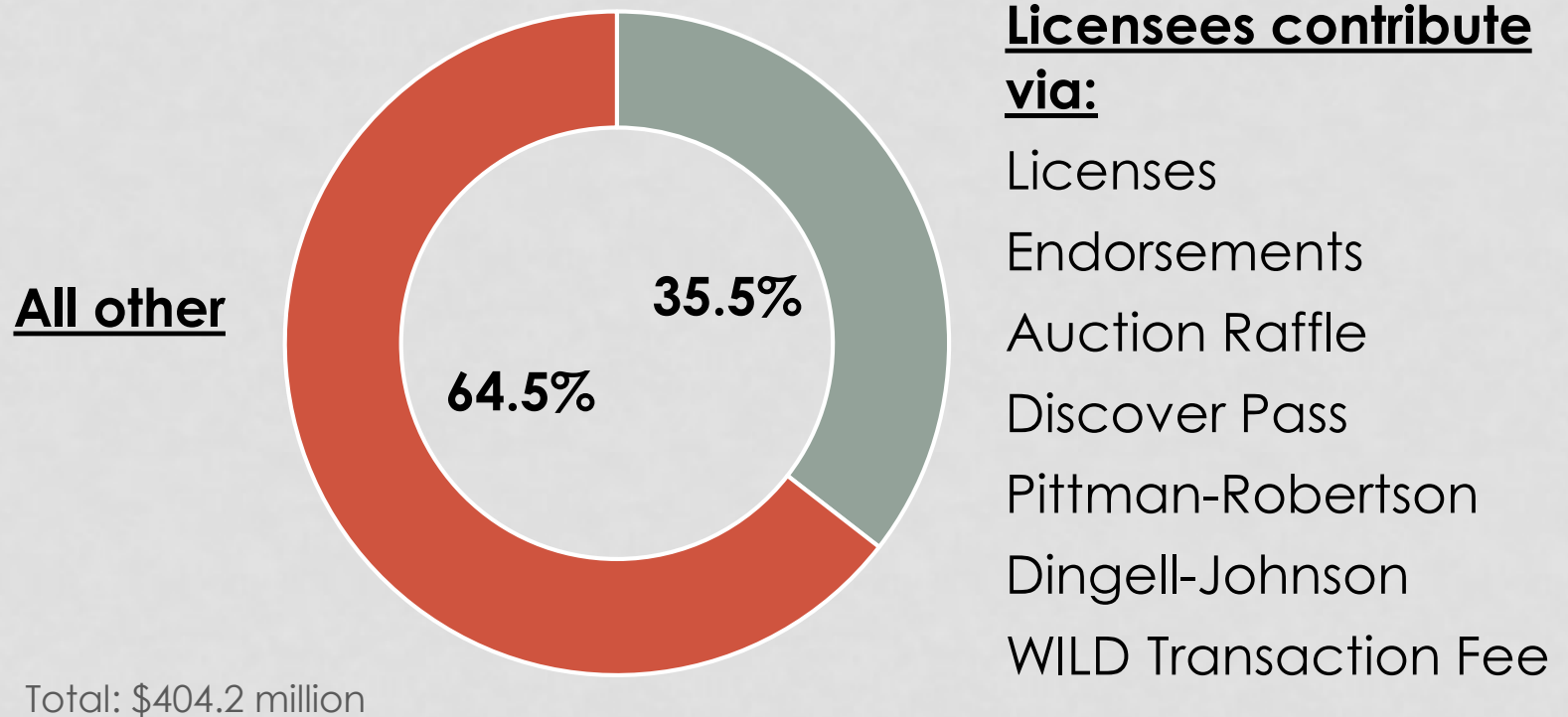
Tax payers

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

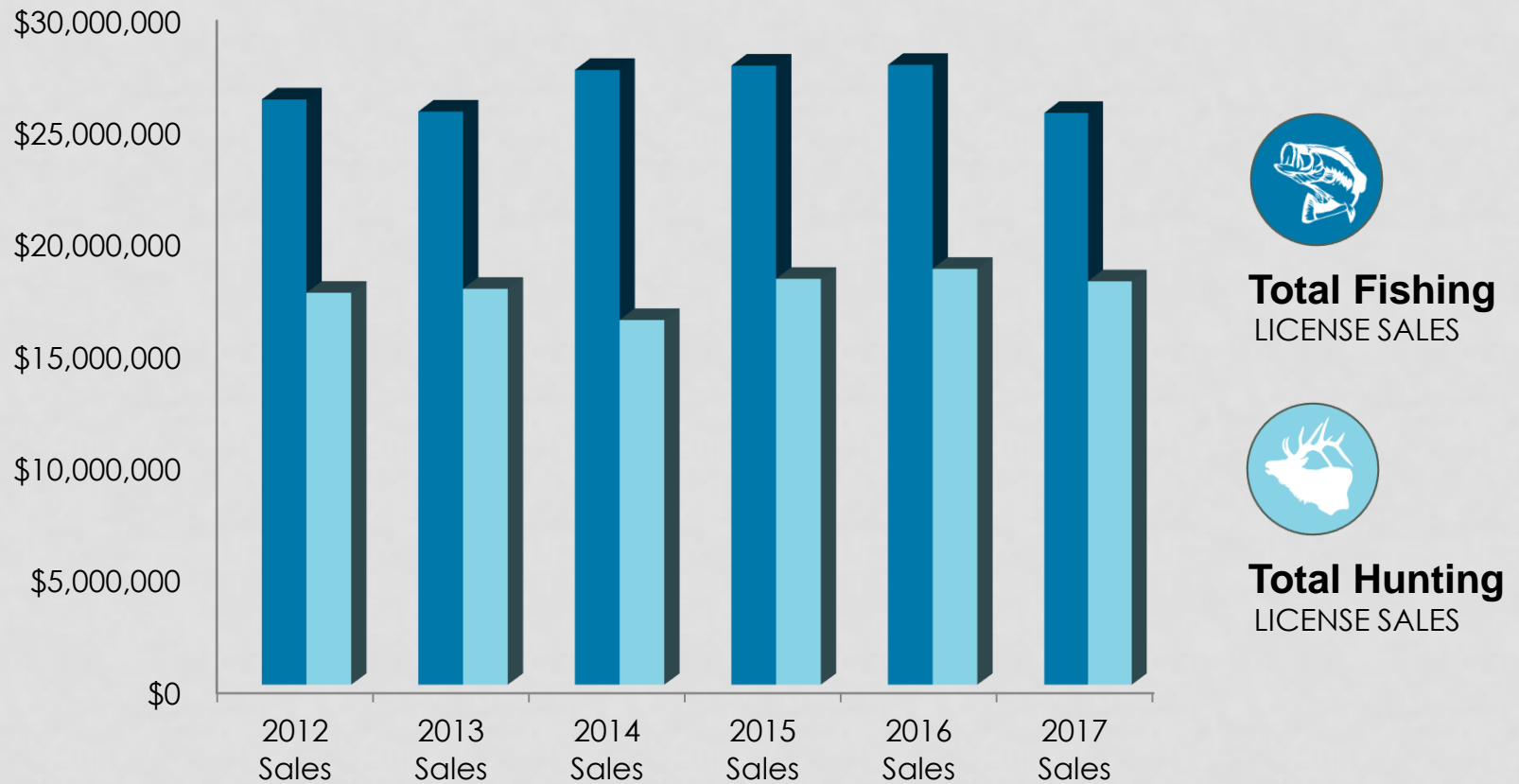


LICENSEES CONTRIBUTE VIA...

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:

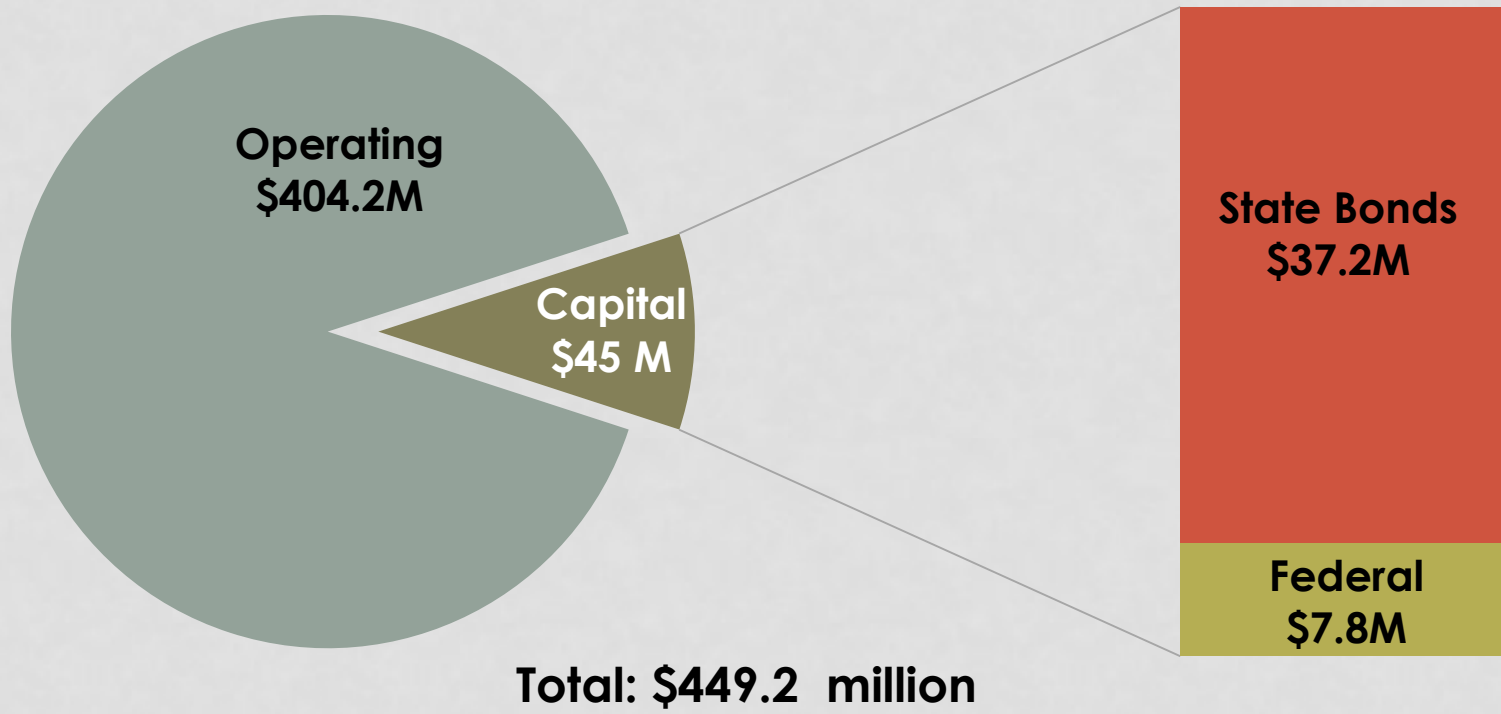
- Ongoing costs of running state government
- Funded with revenue that does not rely on borrowing
- Built incrementally

Capital Budget:

- Project based funding benefits taxpayers over time.
- One-time in nature
- Not built incrementally
- Five biennia investment plan

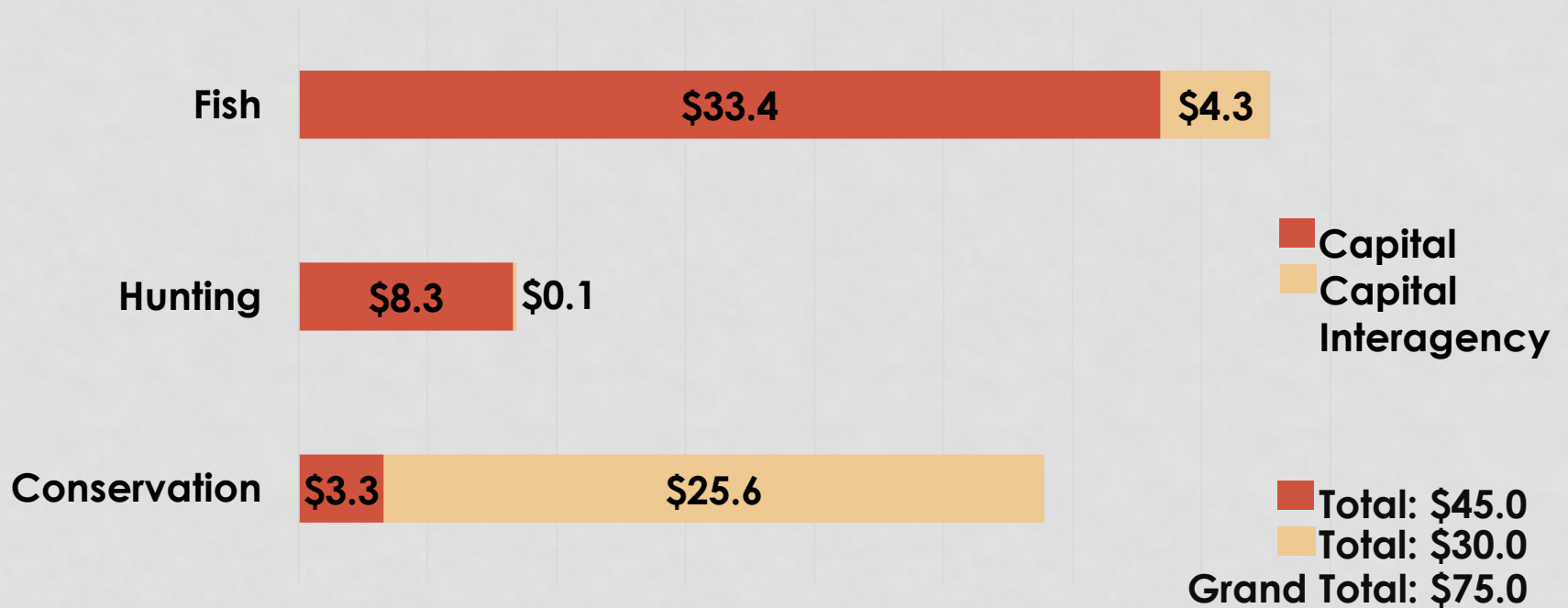
CAPITAL *AND* OPERATING BUDGETS

2015-17 Biennial Operating & Capital Expenditures



CAPITAL BUDGET

2015-17 Biennial Capital Expenditures (in millions)

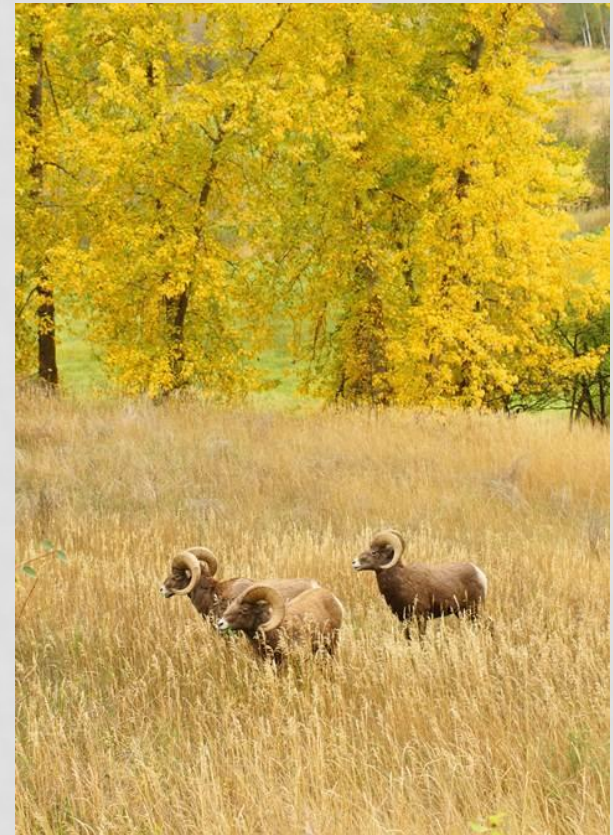


ADMINISTRATIVE COSTS

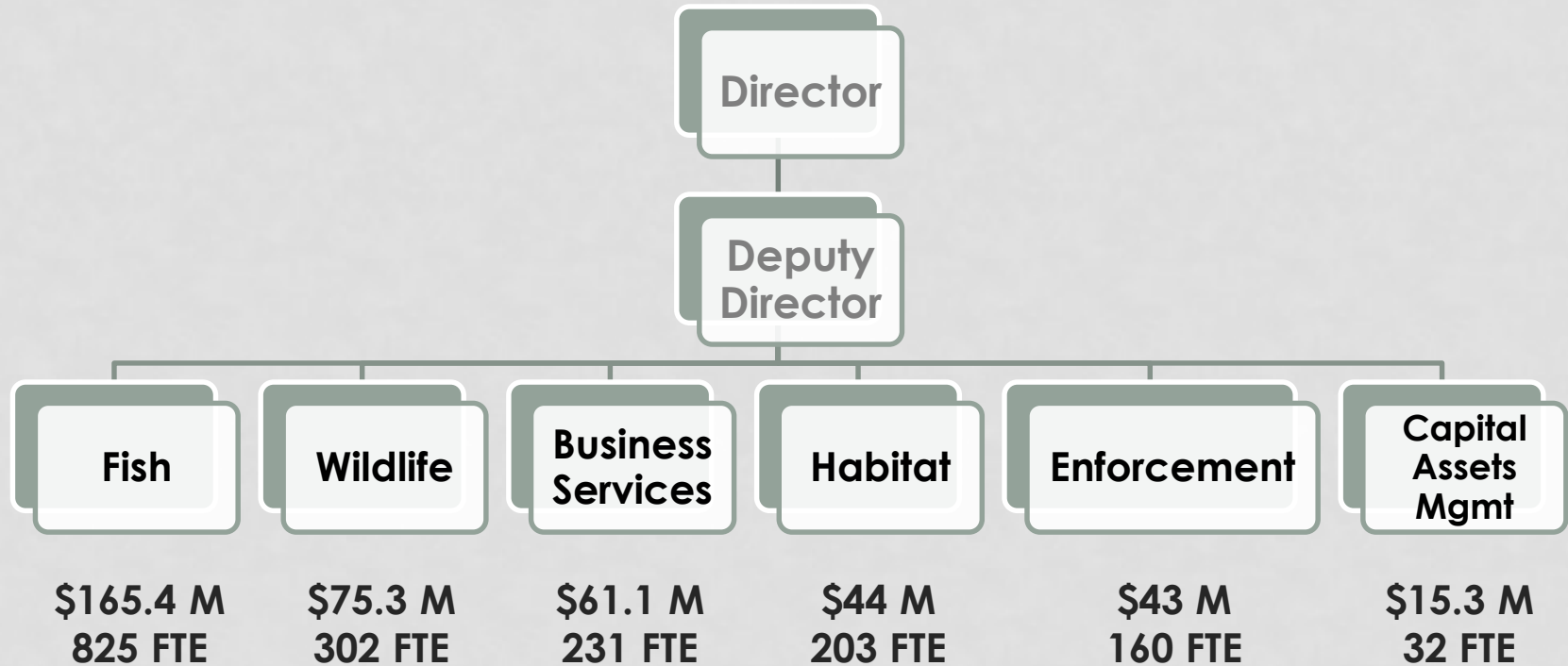
Administrative costs are spread proportionately across all fund sources. The Dept of Interior approves WDFW's indirect rate: 32.46% for current fiscal year.

Examples:

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

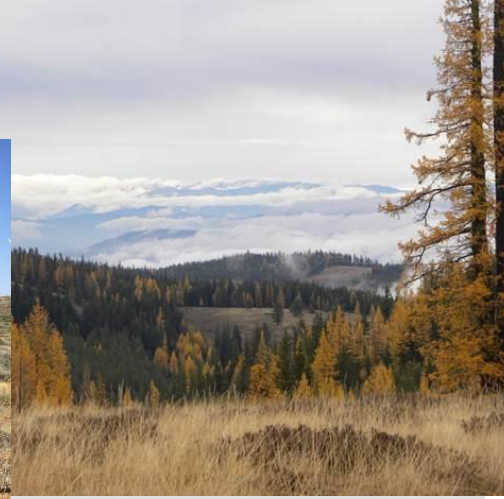
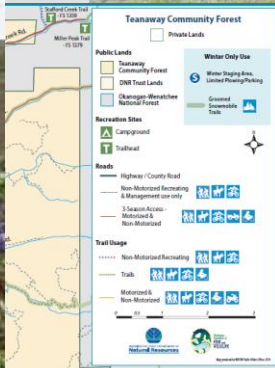


BY PROGRAM *AND* FTE



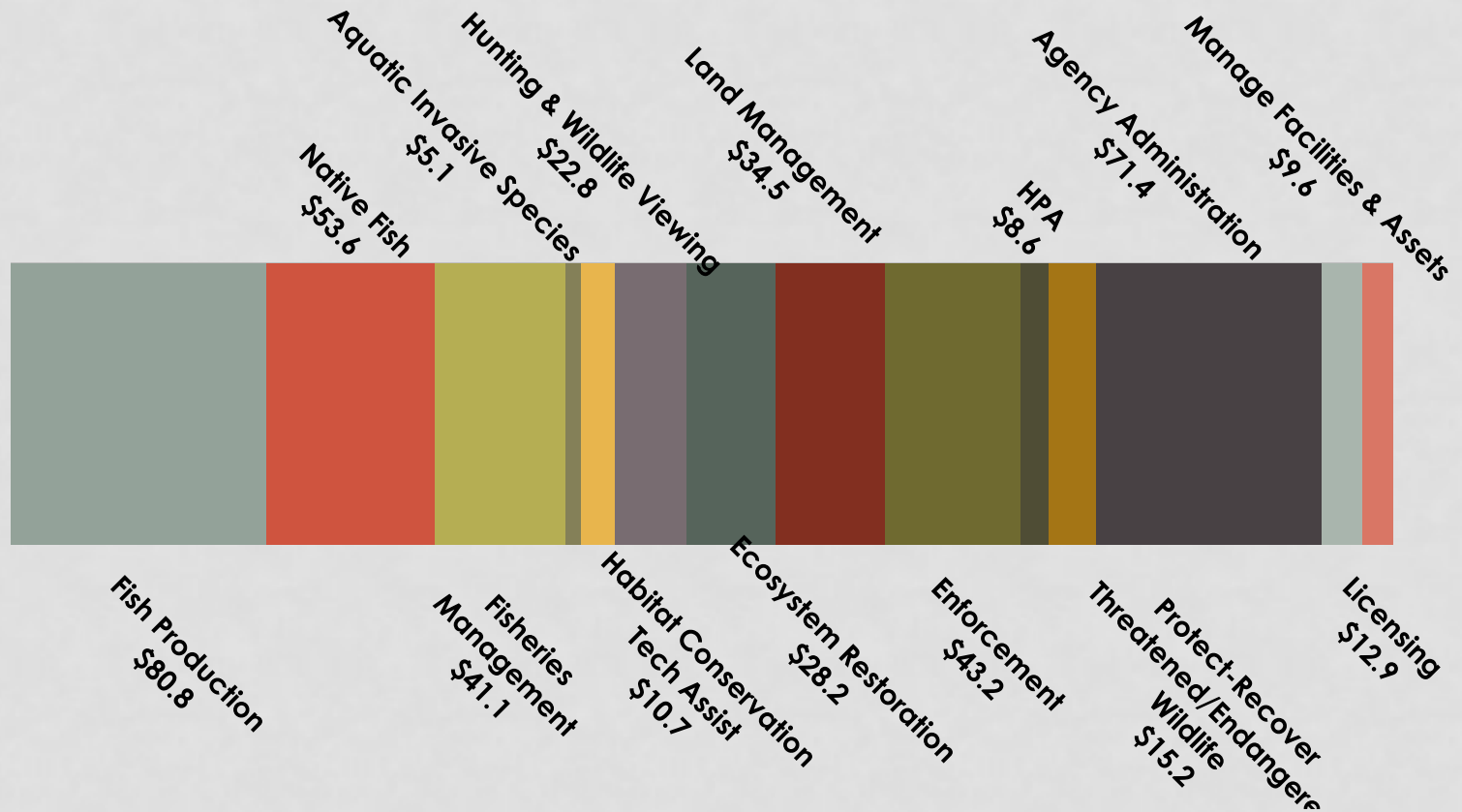
2015-17 Operating Expenditures: \$404.2 million

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



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

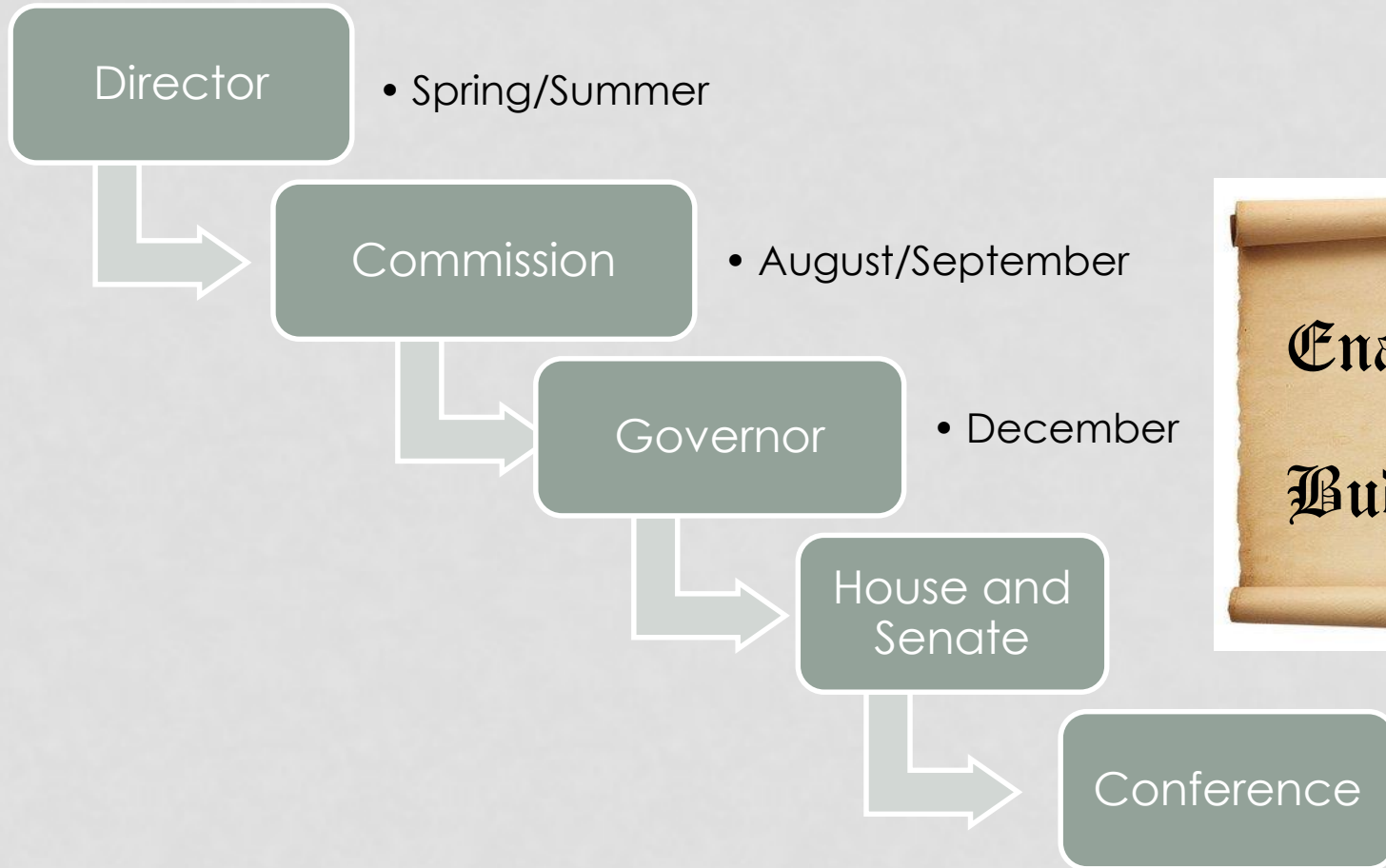


II. HOW THE BUDGET IS ESTABLISHED AND CHANGED

Several interconnected processes:

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

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

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).

CRUCIAL BUDGET CONCEPT

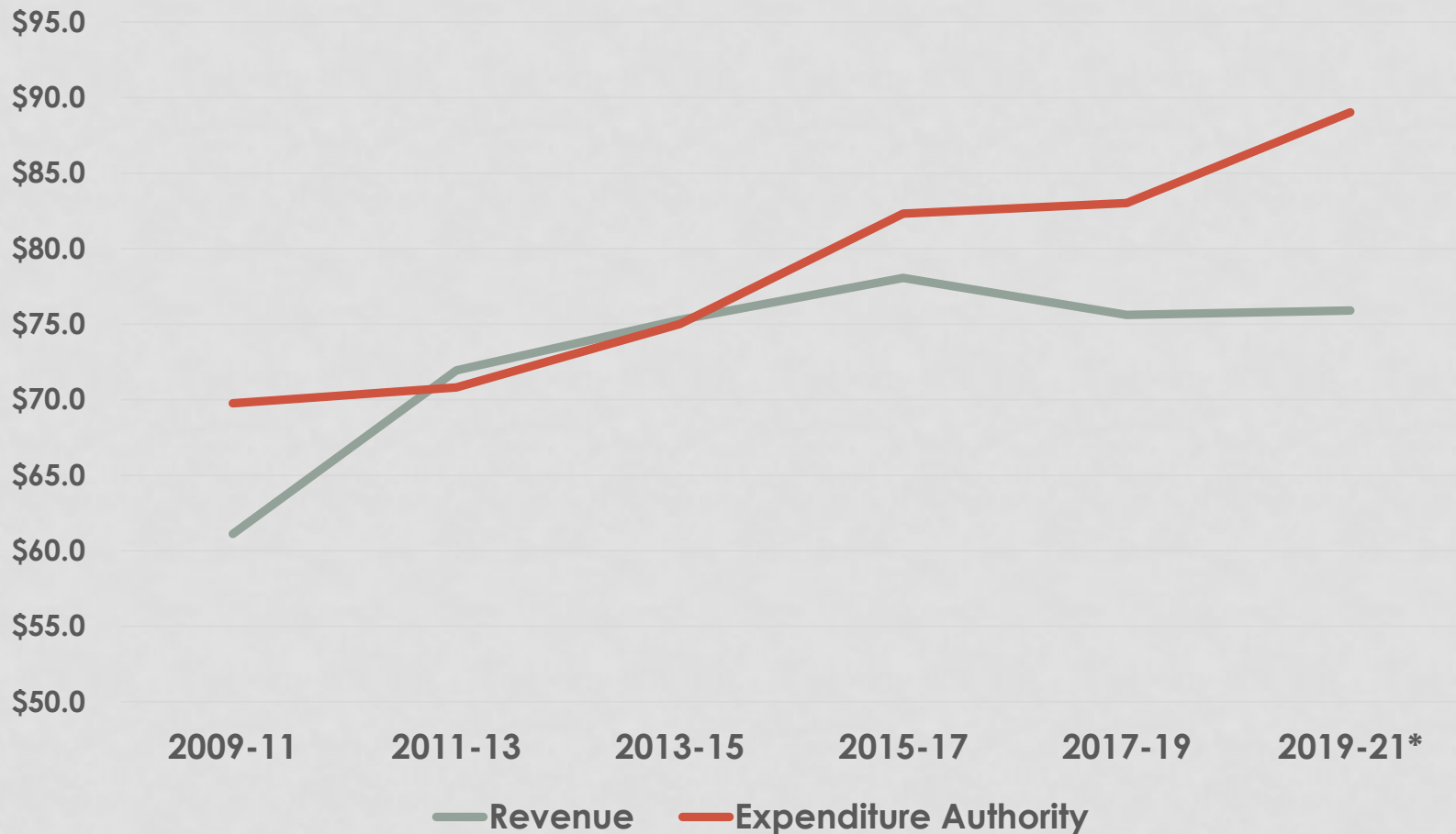
The legislative budget gives agencies *authority* to spend via an *appropriation*.

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

What does 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.

NON-RESTRICTED STATE WILDLIFE ACCOUNT STRUCTURAL DEFICIT



NON-DISCRETIONARY COST INCREASES

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

These costs have increased by \$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

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. (i.e., Matrix report)
- Re-purpose existing funding and align revenue sources. (i.e., informed by ZBB)
- Define targets that will achieve outcomes. (i.e., informed by ZBB)
- Develop long-term revenue plan with politically-viable options. (report due May 1, 2018)

IMPLEMENTATION OF WDFW OPERATIONAL ASSESSMENT

- Final report received January 11, 2018
- Matrix provided a draft Implementation Plan
- Executive Management Team report review January 17, 2018
- Commission input on approach/priorities
- Review further at February 2018 workshop

FWC UPCOMING WORKSHOPS

- February (2 hours)
 - ZBB Activities—scale of investment to inform funding target
 - Review and provide guidance on funding principles (i.e., general fund, fee for cost recovery, fee for revenue generation)
- March (4 hours)
 - Revenue Options
 - Citizen Panels
(Hunters/Anglers/Conservation/Industry/Tribes)

FWC UPCOMING WORKSHOPS

- April Workshop (2 hours)
 - 2019-21 Strategic Plan direction
- April FWC meeting (1-2 hours)
 - Long-Term Revenue Plan--adoption
- June Workshop (4 hours)
 - 2019-21 Strategic Plan
 - Guidance on 2019-21 Budget and Agency-Request legislation

ZERO-BASED BUDGET ANALYSIS

