

Agency: 477 Department of Fish and Wildlife
Decision Package Code/Title: AA Fish Food Cost Increases
Budget Period: 2011-13
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

Washington Department of Fish and Wildlife (WDFW) hatcheries produce fish that support Washington's tribal, commercial and recreational fisheries and contribute to fish recovery efforts listed under the Federal Endangered Species Act. WDFW requests additional funding to address the 20% increase in fish food costs that took place since January 2010 due to cost increases associated with the fish food nutrient base and market availability. Without additional funding, salmon plants into local streams will be reduced and/or state hatchery closures will be necessary.

Fiscal Detail

| Operating Expenditures | <u>FY 2012</u> | <u>FY 2013</u> | <u>Total</u> |
|--|-----------------------|-----------------------|---------------------|
| 001-1 General Fund - Basic Account-State | 90,175 | 90,175 | 180,350 |
| Total Cost | 90,175 | 90,175 | 180,350 |

Package Description:

Fish food purchased by WDFW supports salmon fish production for tribal, commercial and recreational fisheries in Washington, as well as recovery and conservation programs for fish populations listed under the Federal Endangered Species Act. Fish food expenditures are budgeted at approximately \$4.9 million per year.

Fish production at Washington's hatcheries provide the fisheries that people depend upon for jobs (commercial fishing and related industries), to meet federal court orders, to support local economies (tourism, lodging, wholesale/retail businesses, i.e. restaurants, recreational equipment, boats, license revenues), to provide family recreational opportunities and to protect Washington's fishing cultural heritage.

Fish food costs for WDFW have increased 20% since January 2010 due to the rising cost of the base marine derived nutrients from which fish food is made, and the global market demand for fish food.

Without additional funding to support current fish production, strategies to address this cost increase include negotiating salmon production reductions with treaty tribes, and/or closing selected hatcheries to offset the cost increases.

Funding this package will allow fish production at Washington's hatcheries to continue to provide the fisheries that people depend upon for jobs, to meet federal court orders, to support local economies, to provide family recreational opportunities and to protect Washington's fishing cultural heritage.

The majority of salmon production at WDFW owned hatcheries is linked to federal court orders with treaty tribes. Production reductions in the geographic areas served by court orders require negotiations with individual tribes. These geographic areas include all of Puget Sound including Hood Canal, the Strait of Juan de Fuca, and the North Coast.

The proposed implementation schedule is:

July 2011 thru June 2012 -

- (1) Fish production reductions will be identified and negotiated with treaty tribes;
- (2) Hatchery closures will be identified.

September 2012 -

- (1) Production reductions and hatchery closures necessary to offset the shortfall will be implemented.

Name & Phone number of Subject matter expert:

Heather Bartlett, Hatcheries Division Manager, 360-902-2662.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This request will allow WDFW to continue producing fish at current levels. Without funding, there will be approximately 20% less fish food requiring production reductions resulting in a proportionately higher rate in lost salmon production.

The salmon fisheries benefit all districts within Washington.

Performance Measure Detail

Activity: A041 Fish Production for Sustainable Fisheries

Incremental Changes

No measures submitted for package

Activity: A042 Native Fish Recovery

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package supports two of the Department's goals contained in the 2011-2017 Strategic Plan:

Goal 1: Conserve and protect native fish and wildlife; and

Goal 2: Provide sustainable fishing, hunting and other wildlife recreational experiences.

Does this decision package provide essential support to one of the Governor's priorities?

The proposal supports the Governor's initiatives including the environment, and contributes towards economic recovery. The Governor states, "Our natural resources not only provide beauty and recreation, they are the lifeblood of our economy."

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

The proposal supports the Natural Resource/Recreation strategy included in the Priorities of Government:

- Achieve sustainable use of public natural resources.

- Provide stewardship of cultural and recreational assets.
- Ensure quality cultural and recreational experiences.

It rates as a high priority due to economic benefits provided to local businesses and its contribution to the sustainable use of public natural resources. It contributes to preserving and protecting recreational and cultural assets, traditions and values, and provides access to and availability of commercial and recreational opportunities.

What are the other important connections or impacts related to this proposal?

Fish and wildlife benefit Washington's economy every year.**
\$1.6 billion - Commercial fishing+
\$1.1 billion - Sport fishing*

**Source: Department of Fish and Wildlife: "Washington Department of Fish and Wildlife Stewards of the state's natural heritage."
+Source: Fisheries Economics of the United States 2006 (NOAA)
*Source: U. S. Fish and Wildlife Service, 2006 National Survey of Fishing, Hunting and Wildlife-Associated Recreation.

What alternatives were explored by the agency, and why was this alternative chosen?

WDFW utilized various strategies to offset higher fish food costs in 2009-2011 to maintain current fish production levels and fish health and to remain within hatchery operational budgets. These included:

- (1) Altering feeding regimes, releasing fish earlier at smaller sizes, reducing other hatchery operational costs on a one-time only basis, and shifting purchases to companies that have had the lowest increases in costs; and
- (2) Purchasing the fish food with the agency purchasing card which provides a less than 1% rebate back to the hatchery to help offset the costs.

These strategies helped related to providing some savings to offset fish food purchases in 2009-2011 and some of them will be continued, but are not anticipated to provide relief into 2011-2013 to offset the additional cost increases. 2009-2011 reductions in other operational costs to help offset fish food costs were identified as one-time only and not sustainable into future biennia. Releasing fish early as a long-term strategy is not a feasible option because the survival rate is reduced.

Assessing different fish feeding regimes and utilizing lower costing fish food when possible will continue.

What are the consequences of not funding this package?

Fish production at Washington's hatcheries provide the fisheries that people depend upon for jobs (commercial fishing and related industries), to meet federal court orders, to support local economies (tourism, lodging, wholesale/retail businesses, i.e. restaurants, recreational equipment, boats, license revenues), to provide family recreational opportunities and to protect Washington's fishing cultural heritage. Hatchery practices and infrastructure to produce these fish have been undergoing change to optimize protection of native fish.

Without funding, strategies to address the fish food cost increases include:
(1) Negotiating salmon production reductions with treaty tribes; and/or
(2) Closing selected hatcheries to offset cost increases.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Funding needed is based on the percentage of increase in fish food costs over calendar years 2010 and 2011.

7.75% Increase January 1, 2010 thru June 30, 2010:
\$872,135 (GF-S fish food expenditures) x 1.0775 (7.75% increase) = \$939,725

8.50% Increase July 1, 2010 thru December 31, 2010:
\$939,725 x 1.085 = \$1,019,602

1.7% Increase January 1, 2011 thru June 30, 2011:
\$1,019,602 X 1.017= \$1,036,935

1.5% Increase July 1, 2011 thru December 31, 2011:
\$1,036,935 x 1.015 = \$1,052,489

\$1,052,489-\$872,135 (Base) =\$180,350

\$180,350 / \$872,135 = 20.7% increase

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

This fish food costs increase is ongoing and funding is needed in future biennia to maintain current hatchery production levels. Fish food costs may increase in future biennia dependent upon market conditions.

| <u>Object Detail</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>Total</u> |
|----------------------|----------------|----------------|--------------|
| E Goods And Services | 90,175 | 90,175 | 180,350 |