

# WDFW BUDGET AND POLICY ADVISORY GROUP MEETING #2 –SUMMARY

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Wednesday, February 7, 2018, 9:00am-4:00pm

Washington Department of Fish and Wildlife, Olympia Washington

## Committee Members in Attendance

Jason Callahan	Mitch Friedman	Wayne Marion	Mark Pidgeon
Gary Chandler	Andrea Imler	Andy Marks	Butch Smith
David Cloe	Eric Johnson	Greg Mueller	Dick Wallace
Tom Davis	Fred Koontz	Craig Partridge	Rachel Voss

## Facilitator

Elizabeth McManus, Ross Strategic

## WDFW Representation

Kathy Backman	Jeff Davis	Mike Hobbs	Acting Director Joe Stohr
Raquel Crosier	Rob Geddis	Nate Pamplin	Peter Vernie
Michele Culver	David Giglio	Owen Rowe	Jason Wettstein

## Welcome & Opening Remarks from WDFW Acting Director

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Elizabeth McManus (facilitator) began the meeting and reviewed these key questions to address during the meeting:

- What core funding principles could we derive from the analysis so far?
- How should we adjust resources and funding scenarios based on the analysis so far?
- What revenue options should we evaluate based on the analysis so far?

Joe Stohr, WDFW Acting Director, welcomed the Budget and Policy Advisory Group (BPAG) members and noted that fixing the budget for this biennium is important work, but just as important for this group is working on what the Department of Fish and Wildlife should become. He discussed the Department's desire for help to meet commitments to hunters, fishers, and co-management responsibilities while also recognizing that the world is changing, and a broader population of Washingtonians are now WDFW customers.

Nate Pamplin, WDFW Policy Director, thanked Advisory Group members for volunteering their time and effort to attend the meeting. He noted that the work this group is doing to distill budget principles will guide the Department in making current and future budget decisions and in meeting the dual objectives acting director Stohr described.

## Organizational Assessment of Operational and Management Practices

Rob Geddis (WDFW) provided an overview of the Organizational Assessment of Operational and Management Practices conducted for WDFW pursuant to the legislative proviso and carried out by Matrix Consulting Group. The Organizational Assessment compared WDFW's operations and management with three other Washington State natural resource agencies and five other state agencies with similar programs and responsibilities. The report evaluated WDFW based on three areas: operating budget, revenue, and deficit; management structure and decision-making; and administrative structure and operations. It contains fifty recommendations, ten of which Rob highlighted as most relevant to current BPAG deliberations ([pages 4-9](#)). The report also noted that WDFW is employing many best practices in its management and operations, but has room for improvement in effective outreach practices and in setting and managing to performance targets.

### **BPAG members provided the following thoughts and questions in response to the Organizational Assessment presentation:**

- Multiple BPAG members noted that the Organizational Assessment report did not identify any gross mismanagement, misallocation of funds, or major opportunities to improve efficiency. However, this review did not look at the efficiencies to be gained at the program level.
  - Several members noted that efficiencies could potentially be gained by increasing coordination and partnerships with other state natural resources agencies and/or by reviewing potential efficiencies at the program level (something the report did not delve into). BPAG members are interested in reviewing whether or not these efficiencies exist and how to seize them if they do.
  - Nate Pamplin noted that the BPAG could examine these types of potential efficiencies as a part of upcoming strategic planning and performance measures work.
- Multiple BPAG members reiterated the findings and recommendations around improving outreach practices and in setting and managing to performance targets and expressed interest in following up on those recommendations.
- Some BPAG members noted that the Organizational Assessment report confirmed that the Department does not have enough money to continue to deliver all the services it has historically, and currently, deliver (i.e., the budget deficit was confirmed).
- A number of BPAG members were supportive of the idea of incremental increases to license costs and fees each year (e.g., indexed to cost of living) as an alternative to periodic major increases.
- Commercial fishing fees fund a few different sources. The application fee and the increase to the base fee that was passed in 2017 goes into the State Wildlife Account, while most of the base fee and the landing tax goes into the general fund. The Department spends about \$9 million a year managing commercial fishing.
  - BPAG members also noted that there have been efforts led by commercial fishing organizations and WDFW to encourage the legislature to specify that license fees and landing tax revenues go directly to WDFW instead of the general fund, but these have so far been unsuccessful. (WDFW again requested this change in 2017, but it wasn't included in the adopted bill, HB 1597.)

## Research on Other State Fish and Wildlife Agencies

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Jennifer Tice of Ross Strategic presented research that examined state fish and wildlife agency authorities, funding portfolios, and sustainable long-term funding working groups for sixteen states across the country. She noted that it is difficult to make apples-to-apples comparisons across the agencies because of a wide range of agency circumstances and responsibilities; however, information on what other states have done could spark ideas for BPAG members. Many of the states examined have developed principles to guide funding decisions ([pages 15-17](#)) and criteria to evaluate potential funding options ([pages 18-19](#)) that could provide ideas to the BPAG.

### **BPAG members provided the following thoughts and questions in response to the state research presentation:**

- BPAG members commented that the perception of opportunity that drives a person to purchase a hunting or angling license has declined in Washington. Other states are attracting hunters and fishers by highlighting the opportunities to be successful in their state, and by providing actual successful hunting and fishing opportunities.
  - Furthermore, access to lands for hunting and fishing and the predictability of those experiences have declined in Washington, especially compared to other states.
  - BPAG members also noted that population growth has put increasing demand on the resources and will continue to do so.
  - It was noted that demand for Washington's resources is already exceeded by resident interest, and that hasn't been support in the past to 'set aside' opportunities, such as big game permits, for nonresident applicants like they do in other western states.
- Some BPAG members commented that the quantity discounts given on fish licenses in Washington is unnecessary and noted that more revenue may be generated if the second punch card were not less expensive than the first.
- One member noted that fundamentally, healthy fish and wildlife populations are the goal, and benefits to other things will come from that.

## Zero-Based Budget (ZBB) Review

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David Giglio (WDFW) began by describing the updated WDFW Budget Foundational Map ([page 199](#)). This document shows the agency's mission, outcome areas, and strategies that are implemented to achieve outcomes, along with the amount of money spent on each strategy in the 2015-2017 biennium. In addition to the Foundational Map, WDFW created a one-page description of each outcome that summarizes the goals of the activity, the funding sources, the cost drivers, any risks and threats, and a budget table ([pages 202-209](#)). David also presented two stacked bar charts ([pages 200-201](#)) that show the proportion of funding (by source) to each outcome from the funding source (chart 1) and the outcome (chart 2) perspectives.

David explained that there are a few ways to use the ZBB resources to answer the question of where WDFW funding is going. The budget chart on each individual outcome page shows the cost drivers for those outcomes and from where funding comes. The stacked bar charts show expenditures by source and outcome, and expenditures by outcome and source.

David noted that some of the fund sources are restricted in their use. General fund and State Wildlife Account dollars are flexible; federal funding sources are more or less flexible depending on

the source; and state dedicated accounts are less flexible overall. In general, WDFW believes there are limits on funding; however, the ability to move money around depends on the Department's ability to accomplish the outcomes society expects.

**BPAG members provided the following thoughts and questions in response to the ZBB presentation:**

- Participants observed that consumptive users are not subsidizing the Department's work for non-consumptive users.
- Some BPAG members commented that WDFW leadership could do a better job defining management goals, communicating what the Department intends to deliver, and identifying what measures will be used to evaluate them.
- Group members noted that recruitment and retention of hunters is an important concept that Washington could improve upon. Other states have successful outreach methods that could be used as an example.
- One BPAG member hypothesized that every Washingtonian expects at least opportunities to access healthy natural lands, healthy fish and wildlife populations, protection of endangered species, and fulfillment of treaty responsibilities. Those might form the baseline of required work and be funded through broad-based, general revenue sources, such as state taxes.
- Several BPAG members discussed the idea that the services of the Department are structured based on the traditional WDFW customer. However, the new generation of Washingtonians will not necessarily use the resources like others have in the past.
  - One member suggested the Department consider this in the creation of a long-term funding plan.
  - Another member added that society now has a better understanding of why we need a fish and wildlife department. Although hunting, fishing, and recreation remain very important, there is a new understanding of the value of biodiversity and the overall ecosystem.
- Several BPAG members highlighted the potential funding opportunity in tourism dollars (e.g., hotel tax) that the Department could consider because WDFW's services increase tourism opportunities.

## Distilling Findings, Funding Principles, and Revenue Options

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The Advisory Group reviewed the information and work to-date and discussed their initial findings and observations, principles to guide funding options, and potential alternative funding options. These initial thoughts are not necessarily recommendations of the group, but rather are a starting place for further research, discussion, and evaluation.

### Findings

BPAG members discussed their initial observations and findings based on the material and discussions so far. The observations below do not represent consensus among members.

- The budget shortfall for the Department is real, and has many long-term causes (e.g., unfunded mandates, inflation, 2008 budget cuts, and Endangered Species Act responsibilities).
- The Organizational Assessment of Operational and Management Practices did not reveal any major, high-level cost savings to be found from improving efficiency; however, program-level efficiencies were not included in the scope of the review, and were therefore not evaluated.
- The Organizational Assessment of Operation and Management Practices found that WDFW is employing best practices in organizational structure; focus on core program areas; and appropriate staffing levels for Procurement and Contracts, Human Resources, Information Technology, and Fiscal Services divisions. However, WDFW can improve on communication and outreach, strategic planning, and performance monitoring.
- Funding tied to all Washington residents/ all users (e.g., State General Fund; Bonneville Power Act mitigation funding tied to electricity rates) is significant. State general fund and state bonds together comprise approximately \$129.7 million.
- User fees also are important to the Department's overall budget, comprising approximately \$120 million.
- Federal funding makes up a large percentage of the Department's budget, comprising over \$140 million. BPA mitigation funds are included in this amount. Some federal funds are very restricted, while others provide some flexibility in use.
- Consumptive users are not subsidizing the Department's work for non-consumptive users.
- Most Department actions have multiple benefits across both consumptive and non-consumptive users. Funding for all Department work areas comes from a range of sources including: federal, user fee state and local contracts, general tax, state bonds, and license plates. No work areas are funded only from a single source.
- Co-management responsibilities and hatchery management set Washington apart from other fish and wildlife agencies in terms of work and funding required.

### Core Funding Principles

The list below includes draft principles Advisory Group members noted based on the materials and analysis so far. These principles offer high-level thoughts on how to sustainably fund and efficiently manage WDFW for the benefit of all customers.

1. **Tell the story.** Ensure Washington residents, the Fish and Wildlife Commission, and the Legislature have a clear understanding of the Department's services, benefits, and challenges.
2. **Maintain a significant portion of the Department's funding from sources with broad-based contributions (e.g., general fund),** recognizing that healthy natural lands, fish, and wildlife create significant benefits for all residents and the economy in Washington.
3. **Allocate user fees first to the Department programs and services that directly benefit those users** (e.g., management of hunting opportunities for hunting). Use any additional fee-based revenue for ecosystem programs that provide benefits relevant to fee payers (e.g., upland habitat management and restoration for hunters).

4. **Strive for balance in setting fees.** In setting fees, consider and balance the need for revenue to support Department services and the desire to maintain access to Department lands and services for all Washington residents. Maintaining access includes offering affordable and equitable options for fishing and hunting licenses and other fees.
5. **Avoid large periodic increases to fees** in favor of smaller, more incremental increases tied to the cost of living.
6. **Align funding and spending decisions with the Department's strategic goals,** priorities, governing principles, and responsibilities.
7. **Improve budget transparency** so that incoming revenue and outgoing investments are clearly communicated, and aligned with the Department's strategic plan, governing principles, and responsibilities.
8. **Foster a culture of continuous improvement** and ensure Department services are delivered efficiently at both the Department and the program level.
9. **Explore opportunities for partnerships** with other state agencies, private organizations, or other organizations to avoid duplicative work, and share data, equipment, and best practices when possible.

### Resource and Funding Scenario Adjustments

Individual Advisory Group members suggested the following potential adjustments to the Department funding and resource allocations as possibilities to be further researched and discussed in subsequent meetings.

- Map funding to priorities, goals, and performance outcomes.
- All funding requests should include full share of administrative costs.
- Some administrative activities should be centralized.
- Reconsider who should have fee-setting authority (e.g., the Commission, Department, or Legislature).
- Consider establishing a Chief Conservation and Science Officer to be included in the Executive Management Team.
- Prioritize investments in veterinary services to address ecological disease and other issues that will allow for cost savings in the future.

### Revenue options

BPAG members expressed interest in exploring a variety of potential options to increase revenues for the Department and address the structural deficit. These are for purposes of discussion; the list may be added to or revised in future discussions.

- Sports package
- Dedicated portion of the state sales tax
- Dedicated portion of the state hotel tax (or other tourism related revenue stream)
- Dedicated portion of the state real estate tax
- Dedicated portion of the state B&O tax
- Dedicated portion of the carbon tax

- Outdoor activity supplies excise tax
- Pay *to* play model (users who are benefitting are contributing)
- Pay *and* play model (everyone pays through taxes, and those involved more deeply in use of the resources pay for their use, including both consumptive and non-consumptive users)
- Institute annual automatic license/fee increases that are tied to the cost of living or another appropriate index
- Reduce or remove quantity discounts for fishing licenses
- Increase license sales by improving perception of and opportunity for success
- Capture savings by implementing efficiencies

### Other observations or ideas

- The fishing and hunting regulations are complex.
- Reduced access to private lands is negatively affecting hunting and fishing opportunities.
- Declining Department budget has led to a backlog in operations and maintenance, and in replacing necessary equipment.

### Long-Term Funding Plan Outline

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Elizabeth McManus noted that a draft outline of a long-term funding plan was included for BPAG members to review. Between this meeting and the next, WDFW and Ross Strategic will work to draft sections of the long-term funding plan based on the BPAG's discussions the past two meetings, the ZBB small group discussions, and the webinars.

### Public Comment

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One person provided the following comments during the public comments session at the meeting.

- The commenter noted that it ought to be frightening that he was the only interested citizen in the room, and indicated that the Department will likely have a problem in convincing the citizens of the state and their representatives that this effort is worthwhile. He reminded the BPAG that by April 1<sup>st</sup>, the group is tasked with producing options and recommendations to lead to a balanced budget, and after that will be responsible for developing a strategic plan for long-term, sustainable funding for the Department. He added that this is an immense amount of work for the Department and the BPAG, and suggested the group think about how to use this work to get the Legislature to act.

### Next Steps

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The next meetings of the Budget and Policy Advisory Group are as follows.

- **Meeting #3**  
Friday, March 2<sup>nd</sup> from 9am-4pm  
Washington Department of Fish and Wildlife – Olympia, WA

Final 3/2/18

- **Meeting #4**  
Thursday, April 5<sup>th</sup> from 9am-4pm  
Location TBD - Ellensburg, WA