

WDFW BUDGET AND POLICY ADVISORY GROUP MEETING #3 –SUMMARY

Friday, March 2, 2018, 9:00am-4:00pm

Washington Department of Fish and Wildlife, Olympia Washington

Committee Members in Attendance

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

Facilitator

Elizabeth McManus, Ross Strategic

WDFW Representation

Kathy Backman	David Giglio	Owen Rowe
Michele Culver	Kim Marshall	Peter Vernie
Rob Geddis	Nate Pamplin	Jason Wettstein

Welcome

Nate Pamplin, Washington Department of Fish and Wildlife (WDFW) Policy Director, welcomed the Budget and Policy Advisory Group (BPAG) and informed them that the Department has been given an extension on the final Long-Term Funding Plan timeline, from May 1st, 2018 to September 1st, 2018. This additional time will allow the Department to more thoroughly address the intent of the Proviso, and work with the BPAG and the public throughout the process.

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

- What core funding principles should be used?
- How should we evaluate cuts?
- What options for additional revenue should we evaluate?
- What evaluation criteria should we use?

BPAG Draft Findings

The group reviewed the list of Draft Findings ([Page 3](#)) drawn from the BPAG discussions during the first two meetings. Findings are intended to provide a common framework and understanding as the group begins to discuss potential WDFW expenditure reductions or additions and potential revenue sources.

The group had a strong reaction to the Draft Findings – they felt that the draft findings did not sufficiently capture the big picture or convey an adequate sense of urgency. They had a lively discussion of how to revise the finding to better meet those needs. The following revised findings incorporate feedback. Summarized statements (“take aways”) from the BPAG meeting are included for additional context and for reference. These are not direct quotes in most cases, they are intended as summaries of key points made during the discussion.

1. The Department’s mission – *to preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities* – remains vital and in fact is increasingly important to promoting public health, supporting economic prosperity, and ensuring a high quality of life for all Washingtonians, including those who never hunt, fish, or visit a wildlife area.
 - *“When people hear about the Department of Fish and Wildlife, they need to think about more than hunting and fishing, they need to think about public health, quality of life, and economic development.”*
2. The Department’s base budget is not enough to adequately serve the needs of Washingtonians now or in the future. The near-term budget shortfall – which is real – exacerbates this problem. Rapid population growth will put further pressure on fish and wildlife resources. There is real urgency in the need to act.
 - *“The Department has a serious, immediate structural budget problem to solve, and there are even larger crises coming due to current funding levels. Averting these crises will require more forward-looking actions.”*
 - *“Within the scope of the study, the Organizational Assessment of Operational and Management Practices did not reveal any major high-level cost savings to be found from improving efficiency. Efficiencies will not fix the problem.”*
 - *“The structural shortfall has definable causes, including unfunded mandates from the legislature, 2008 budget cuts required by the legislature, appropriations and license fees that have not kept up with inflation, and Endangered Species Act responsibilities.”*
 - *“Long-term funding for all fish and wildlife programs needs to increase, sometimes substantially, to fulfill the mission of the Department and meet the needs of all the Department’s users and the broader community of Washington residents. True long-range planning is needed to define and address this need.”*
3. Over time, the lack of adequate funding has brought a cascade of negative outcomes including competition between stakeholders, insufficient protection of fish and wildlife, and lack of sustainable and productive hunting and fishing opportunities. This has put Washington at substantial risk of a crisis in fish and wildlife conservation.
 - *“Access for hunting is diminished”*
 - *“The perception of the likelihood of success – and actual success – for both hunting and fishing are decreasing.”*
 - *“Every time a stakeholder is mad at the Department they go across the street and get the funding reduced, or restricted. We need something stable that is immune to these types of vagaries.”*
 - *“The vast majority of at risk species are not being addressed which raises the potential for many more threatened and endangered species listings in the future.”*

- *“The reputation of the Department is suffering, which adds to the competition felt among stakeholder groups.”*
4. Over half of the Department’s funding sources have restrictions on their use, this constrains the Department’s ability to manage effectively.
 - *“Silos create a management nightmare. When funds are tied to specific programmatic areas, it doesn’t allow you to look at the bigger picture. Everything is interrelated and yet we pigeon-hole the resources.”*
 5. Washington’s unique context—including co-management responsibilities, significant commercial hatcheries, substantial recent and projected population growth rates—sets the State apart from other fish and wildlife agencies in terms of work and funding required.
 6. These challenges are significant, but they can and must be met through a combination of better long-range planning, keener outcome-based performance management, new and expanded partnerships, and adequate, sustainable funding. Funding must be both adequate to address the full needs of the Department’s mission and must be immune to diverse and changing opinions of the people involved, so that it is sustainable and secure over time.
 - *“Funding tied to all Washington residents (e.g., State General Fund; BPA mitigation funding tied to electricity rates) is significant, at the same time it is not enough given the broad public benefits provided by fish and wildlife conservation.”*
 - *“Federal funds are not enough to cover federal mandates particularly relative to threatened and endangered species.”*
 - *“The Department’s ability to meet their mission requires action by other state agencies, levels of government and organizations. There is a need for increased connectivity the state government at the cabinet level, and improved partnerships with other state agencies and non-government entities.”*
 7. We must start now and commit to getting the job done over the long term.
 - *“With 2 million more people anticipated to move to Washington in the next 20 years, as many as currently live in King County, the urgency of the issue cannot be overstated.”*
 - *“The response time is not immediate; it took time to get here and it will take time for the results of positive action to be seen. Natural systems do not respond immediately”*

Zero-Based Budget Example and Draft Funding Principles

ZBB Example

To provide background for the BPAG’s discussion of funding principles, Michele Culver, WDFW Intergovernmental Ocean Policy, walked BPAG members through three activities outlined in the Zero-Based Budget (ZBB) ([Connections in the ZBB](#)) and explained in more detail the actions that make up the higher-level activity. This presentation reiterated for the BPAG that each broad ZBB category is complex and has many layers of activity and interactions.

The following clarifications were made based on BPAG members comments and questions:

- There is room for improvement in defining roles and budget between state and federal agencies to minimize inefficiencies. In certain cases, there are interagency agreements in place for some WDFW work to be funded by other agencies; however, it is not always clear

that the full freight of this work is covered or that the work itself is being done as efficiently as it might owing to being spread over multiple agencies.

- One member suggested that developing governance principles could help the Department make and defend decisions made within these activities, especially when the science isn't available to address long-term sustainability issues.

Draft Funding Principles

Funding principles focus on distilling overarching advice for how fish and wildlife conservation funding should be approached. After discussion, the BPAG is converging around recommending something like a “pay and play” model where the majority of funding comes from broad-based sources and user fees are used as a supplement. The following principles reflect the group's comments and revisions at the meeting; additional changes may be made in further BPAG review.

1. **Secure the majority of the Department's funding from the general public (e.g. general fund) because the Department's work benefits all of Washington state.** This recognizes that healthy natural lands, fish, and wildlife create significant benefits for all Washington residents and for the overall Washington economy.
2. **Increase flexibility associated with funding sources.** The Department should have the ability to direct funds to the highest priority actions. Dedicated funds add accountability to funding but create inefficiencies in implementing the work; when possible, funding should carry some flexibility.
3. **Direct user fees first to the Department programs and services that directly benefit those users** (e.g., management of hunting opportunities for hunting); direct any additional fee-based revenue to ecosystem programs which provide benefits relevant to fee payers (e.g., a percentage of hunting license fees to upland habitat management and restoration for hunters, or a percentage of commercial landing fees going to hatchery production).
4. **Strive for balance in setting user fees.** In setting user fees consider and balance between the need for revenue to support Department services and the desire to maintain access to Department lands and services for all Washington residents, and maintain affordable options for fishing and hunting licenses and other fees.
5. **Avoid large periodic increases to user fees** in favor of smaller, more incremental increases tied to inflation and other cost drivers.
6. **Seek full funding for federal mandates and full reimbursement** when the Department provides technical expertise or other services for other State agencies.
7. **Align funding decision with the Department's strategic goals**, priorities, governing principles, and responsibilities.
8. **Improve budget transparency** so that incoming revenue and outgoing investments are clearly understandable and aligned with the Department's strategic plan, governing principles, and responsibilities.
9. **Foster a culture of continuous improvement** and ensure Department services are delivered efficiently at both the Department and the program level.
10. **Explore opportunities for partnerships** with other state agencies or private organizations, to avoid duplicative work, and share data, equipment, and best practices when possible.

Criteria for Evaluating Options to Address the Budget Shortfall

Jennifer Tice, Ross Strategic, discussed the criteria specified in the proviso for evaluating expenditure reduction and revenue options. She reviewed the relevant proviso language ([Page 46](#)) and highlighted the requirement that options be prioritized based on the following criteria:

1. Impact on achieving financial stability
2. Impact on the public and fisheries and hunting opportunities
3. Timeliness and ability to achieve intended outcomes.

Several BPAG members noted that there is a need to develop metrics (e.g. Elasticity of license sales to measure participation, opportunity, and success) to accompany criteria and guide evaluation. The following questions were mentioned by BPAG members as a starting place for thinking about the three proviso criteria categories:

- How variable is the source?
 - One member noted that a new revenue source should not be tied to something that can expire (e.g. logging revenue funds schools).
 - Stabilization of license rates for more predictable revenue.
- Does it address the financial need?
- Is it a new revenue source?
- Does it bring in new constituents to the Department?
- Is there a diversity of funding?

During the next BPAG meeting, the group will consider these criteria again using examples to talk about them in a more concrete way.

Options to Address the Budget Shortfall

WDFW Maintenance Level Budget and Expenditure Reductions Analysis

Nate Pamplin outlined the approach WDFW is planning to use to develop a carry-forward budget for the 2019-2021 biennium that is likely \$30-\$35 million less than current funding. A “carry-forward level” budget is one which assumes no new funding for the Department. Generally, carry-forward level budgets are requested at some point during the budget evaluation process. To be prepared for this discussion, WDFW is assembling leadership teams around each of the eight main Department outcomes identified during the ZBB effort. The eight outcomes include acquire and manage lands; business management and obligations; managing fishing opportunities; manage hunting opportunities; non-consumptive recreation opportunities; preserve and restore aquatic habitat and species; preserve and restore terrestrial habitat and species; and produce hatchery fish. Each team will look across the funding and work related to each outcome and identify potential cuts/reductions from work funded with flexible funding. \$30 million cut equates to about 15% of WDFW’s flexible funding and 8% of the total budget. (Restricted funds have much less flexibility in terms of potential cuts.) Outcome leadership teams also will consider priorities for additional funding. Nate explained that the Department is undertaking this effort intentionally and earlier

than in the past, so they'll be able to engage with the BPAG and the public to elicit feedback on the options. It is anticipated that, at the end of the budget process, some cuts likely will be needed and some of the \$30-\$35M shortfall can be made up with additional funding.

BPAG members provided the following feedback on this analysis:

- Members were generally supportive of this analysis, seeing it as a necessary part of telling the story, although there was not enthusiasm for actually taking \$30M in cuts.
- Several members noted that this approach can create trust, but it needs to be done in a genuine way. The Department needs to paint the whole picture of what's going on, including what has already been cut, what further cuts would look like, what could be added, what efficiencies can be gained, and how partnerships could improve services.
- Participants cautioned that this shouldn't be an exercise in making cuts to punish anyone, and the Department should be careful not to pit groups against each other as potential cuts are discussed.
- One member added that it will be important to engage the Commission in these conversations.
- Another member cautioned that the Department will not get anything they don't ask for. While showing where cuts can be made is important, it is also critical that the Department show where services can be enhanced or added with additional revenue.

Potential Funding Sources

The group reviewed a list of potential funding sources. This list includes options mentioned by BPAG members, and approaches that have been used in other states. (It is not an exhaustive list and the group has not made decisions about what, in any, funding sources to recommend; it was provided for discussion.) The initial list participants reviewed included:

- Sports package
- State general fund appropriation
- Dedicated portion of the state sales tax
- Dedicated portion of the state hotel tax
- Dedicated portion of the state B&O tax
- Annual Automatic license fee increase
- Reduce or remove price "discount" for second catch cards
- Increase license sales by improving perception of and opportunity for success
- Dedicated portion of the state lottery
- Discover pass
- Outdoor activity supplies excise tax
- Dedicated portion of state real estate tax
- Dedicated portion of carbon tax¹

BPAG members provided the following feedback on the funding sources listed above:

¹ Originally noted as unlikely because Washington state doesn't currently have a carbon tax.

- Members noted that the state sales tax is a broad-based source that would capture Washington residents not currently contributing.
 - Options for state sales tax would include asking for a dedicated percentage of the current state-wide sales tax (currently 6.5%) or asking for a raise in the sales tax dedicated to the Department.
 - As an example: revenue from the sales tax was \$10,197,712,000 in 2017 and \$9,623,502,000 in 2016. 1/10th of 1% of the state-wide sales tax would be approximately \$10 million.
- A number of members expressed concern with the excise tax on outdoor equipment because of already high import taxes on equipment. Other BPAG members were in favor of continuing to consider this as an option.
- One BPAG member cautioned that there is current legislation aiming to raise the Hotel/Motel tax 2%, so this option may meet resistance and likely is not a good candidate.
- A member asked about revenue from penalties and tickets issued by the Department. The Legislature typically doesn't direct this money back to the issuing agency because of concerns about program integrity.
- A member asked for additional detail on the amount of revenue generated by the personalized and special license plate programs and WDFW's portion of that revenue.
- A member asked for additional detail on the amount of revenue generated by the Discover Pass and WDFW's portion of that revenue.
- The group discussed the real estate tax and how it has a logical nexus to mitigating the impacts of growth on fish and wildlife populations and asked that it be retained for further consideration.
- Participants added the following potential funding sources for consideration/ investigation:
 - A new, statewide environmental impact fee placed on new development in the state
 - A landing fees to the Albacore Tuna fishery, which is the only ocean fishery which does not currently pay landing fees.

At the end of the discussion the group was most interested in further investigation of a portion of the sales tax and/or a portion of the real estate tax as potential new broad-based revenue options. They also remain very interested in improvements focused on licenses and fees (e.g., Discover Pass, license plates), a potential "impact fee" and on ways that non-consumptive users of wildlife areas could participate more fully or directly in the Department's funding. (Note this does not assume the Discover Pass is the right vehicle for this. An ongoing process by the Ruckelshaus Center is evaluating the Discover Pass and whether it should continue.). The hotel/motel tax and the B&O tax were set aside from further consideration for now.

Draft Long-Term Funding Plan Report

The group briefly discussed the available draft sections of the draft Long-Term Funding Plan. Elizabeth noted that this is a very early draft, but given the short timeframe, BPAG members are asked to read through the available sections and provide feedback. The group mentioned the need for more personal images throughout the report and expressed support for the idea of including first person narratives to better tell the story of the Department's work.

Public Comment

Final 4/25/18

There were no public comments offered.

Next Steps

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

- **Meeting #4**
Wednesday, May 2nd from 9am-4pm
Location TBD - Ellensburg, WA
- **Meeting #5**
July/August 2018
Location TBD - Olympia, WA