

2014

ON THE HOOK

The Future of Fish and Wildlife Funding in Montana



*Montana Environmental
Quality Council*



Environmental Quality Council
P.O. Box 201704
Helena, MT 59620-1704
Phone: (406) 444-3742
Fax: (406) 444-3971
<http://leg.mt.gov/eqc>

Prepared by Hope Stockwell

An HB 609 Study Report to the 64th Legislature, September 2014

Environmental Quality Council Members

Before the close of each legislative session, the House and Senate leadership appoint lawmakers to interim committees. EQC members can serve up to three 2-year terms if re-elected and reappointed. Members must be appointed before the 50th legislative day in accordance with 5-16-101, MCA.*

MONTANA SENATE

Sen. John Brenden, Presiding Officer

P.O. Box 970
Scobey, MT 59263-0970
Ph: 783-8394
E-mail: senatorbrenden@gmail.com
Second term

Sen. Jim Keane

2131 Wall St.
Butte, MT 59701-5527
Ph: 723-8378
Third term

Sen. Jennifer Fielder

P.O. Box 2558
Thompson Falls, MT 59873-2558
E-mail: sen.jfielder@legmt.gov
First term

Sen. Rick Ripley

8920 MT Highway 200
Wolf Creek, MT 59648-8639
Ph: 562-3502
Third term

Sen. Bradley Maxon Hamlett

P.O. Box 49
Cascade, MT 59421-0049
Ph: 799-5885
E-mail: wranglergallery@hotmail.com
Third term

Sen. Gene Vuckovich

1205 West 3rd St.
Anaconda, MT 59711-1801
Ph: 563-2313
E-mail: mt.sd43@gmail.com
Second term

MONTANA HOUSE OF REPRESENTATIVES

Rep. Jerry Bennett

784 Taylor Rd.
Libby, MT 59923-8458
Ph: 293-7012
E-mail: jbenhd1@hotmail.com
Second term

Rep. Bill McChesney, Vice Presiding Officer

316 Missouri Ave.
Miles City, MT 59301-4140
Ph: 853-2826
E-mail: macwilly66@msn.com
Second term

Rep. Virginia Court

18 Heatherwood Ln.
Billings, MT 59102-2449
Ph: 259-5099
E-mail: vjchd52@yahoo.com
First term

Rep. Jeffrey Welborn

383 Antelope Dr.
Dillon, MT 59725-8894
E-mail: jeffwelborn@hotmail.com
First term

Rep. Ed Lieser

1355 Lion Mountain Dr.
Whitefish, MT 59937-8072
Ph: 471-2082
E-mail: rep.elieser@legmt.gov
First term

Rep. Kerry White

4000 Blackwood Rd.
Bozeman, MT 59718-7621
Ph: 587-3653
E-mail: winwithwhite@gmail.com
First term

PUBLIC MEMBERS

Mr. Scott Aspenlieder

2101 Overland Ave.
Billings, MT 59102
Ph: 461-8392
E-mail: scott@performance-ec.com
First term

Ms. Mary Fitzpatrick

631 Clark Ave.
Billings, MT 59101
Ph: 252-3851
E-mail: stardust@usadig.com
Third term

Mr. Dexter Busby

Montana Refining Co.
1900 10th St. NE
Great Falls, MT 59404
Ph: 454-9841
E-mail: dbusby@montarefining.com
Second term

Mr. Roy Morris

P.O. Box 3839
Butte, MT 59702
Ph: 491-4255
E-mail: roy@montana.com
First term

GOVERNOR'S REPRESENTATIVE

Mr. Tim Baker

P.O. Box 200801
Helena, MT 59620-0801
(406) 444-3111
tbaker@mt.gov

Legislative Environmental Policy Office Staff

Joe Kolman, Legislative Environmental Policy Analyst; Dawn Field, Research and Publications;
Jason Mohr, Resource Policy Analyst; Sonja Nowakowski, Resource Policy Analyst;
Hope Stockwell, Resource Policy Analyst; Helen Thigpen, Attorney;
Nadine Spencer, Legislative Secretary.

* This information is included in order to comply with section 2-15-155, MCA.

Table of Contents

Introduction	7
Findings and Recommendations	8
Background	11
Filling the Bathtub	11
Funding Sources	12
Making Cuts	13
Earmarks	13
Projected Expenditures	14
Licensing Trends	14
Other States	18
The Bottom Line	20
Other Revenue Options	20
LFAC Recommendations	22
Financial Impacts	24
EQC Action	26
Appendices	
Appendix A: House Bill No. 609 (2013)	A-1
Appendix B: Montana Hunting and Fishing License Fees	B-1
Appendix C: Fish and Wildlife Licensing and Funding Advisory Council Recommendations	C-1
Appendix D: House Bill No. 172 (2005)	D-1
Appendix E: Pittman-Robertson and Dingell-Johnson Funding	E-1
Appendix F: Approved Budget Savings by FWP for FY14/FY15	F-1
Appendix G: LY 14 Earmark License Allocation	G-1
Appendix H: FWP Earmarked License Accounts 4-Year Comparison of FYE Ending Fund Balances	H-1
Appendix I: Resident License Fee Comparison by State	I-1
Appendix J: Nonresident License Fee Comparison by State	J-1
Appendix K: Youth License Discount Comparison by State	K-1
Appendix L: Senior Discount License Comparison by State	L-1
Appendix M: Disabled Discount License Comparison by State	M-1
Appendix N: Military License Discount Comparison by State	N-1
Appendix O: Lost Revenue to FWP by Discounted or Free Licenses 2012	O-1
Appendix P: LC 4444	P-1



Introduction

House Bill No. 609 (HB 609, Appendix A), assigned to the Environmental Quality Council (EQC), requested an interim study of Montana's hunting and fishing license statutes and fees, including:

- ⊕ the appropriate roles of hunting and fishing license buyers and other fish and wildlife users in funding fish and wildlife management;
- ⊕ options for improving the structural balance between revenue and expenditures for fish and wildlife management;
- ⊕ options for changing and simplifying Montana's hunting and fishing license structure and statutes;
- ⊕ options to improve services and better meet the needs of license buyers;
- ⊕ an assessment of the impact of free and reduced-cost hunting and fishing licenses on the funding for fish and wildlife management and whether any of these licenses should be modified; and
- ⊕ a comparison of license structures and fees in other states.

At its June 2013 meeting, the EQC allocated 0.2 FTE, or 576 hours, to complete the HB 609 study, including:

- ⊕ a summary of existing hunting and fishing licenses (Appendix B);
- ⊕ an overview of licensing revenue and its uses;
- ⊕ analysis of events leading to decreased license sales and revenue;
- ⊕ review of the hunting and fishing license structure and fees in other states (Appendices K-N);
- ⊕ analysis of other structural and fee options for the Department of Fish, Wildlife, and Parks; and
- ⊕ staff attendance at and assistance with a concurrent licensing study conducted by the Fish and Wildlife Licensing and Funding Advisory Council.



Findings and Recommendations

After completing the enclosed analysis, the EQC finds:

- ⊕ Montana's fish and wildlife are important natural resources that benefit all Montanans, visitors, and our economy. Each year, the quality of Montana's fishing and hunting opportunities attract nearly 400,000 anglers and 230,000 hunters, and an estimated 900,000 residents and nonresidents view our wildlife. It is important to manage fish and wildlife to preserve these opportunities for future generations.

- ⊕ The majority of funding for fish and wildlife management in Montana comes from the sale of fishing and hunting licenses. The Legislature sets the majority of these fees on a roughly 10-year basis. The last wholesale pricing increase was approved in 2005. After Fiscal Year 2017, FWP says it will face a \$5.75 million annual shortfall to maintain current fish and wildlife operations. The Legislature could increase hunting and fishing license revenues, decrease expenditures, or redistribute revenue currently earmarked for specific purposes to address this concern.

- ⊕ A citizen advisory council established at the request of the governor and tasked with proposing fishing and hunting license prices that would result in a sufficient and stable source of revenue and funding for fish and wildlife management has developed a package of recommendations that would generate \$6.13 million in new revenue for FWP each year. This includes \$380,000 in contingency funding that could be used in an emergency.

- ⊕ Not all EQC members agree that FWP needs additional revenue to manage fish and wildlife. Some EQC members say FWP can respond to emergent situations using existing funds. However, the EQC supports other portions of the advisory council's proposal.

- ⊕ The advisory council did a good job of proposing changes to streamline and simplify Montana's fishing and hunting licenses and fees.

- ⊕ The 4-year funding cycle recommended by the advisory council is preferable to the existing 10-year cycle and makes more business sense.

- ⊕ Raising the age at which seniors are eligible for discounted licenses is appropriate, and though a grandfather clause for seniors who would temporarily lose eligibility under the new criteria might be desirable, it would be difficult to administer.

- ⊕ The 10-day nonresident fishing license should be retained because it provides more flexibility to those who may be in the state two weekends in a row.

- ⊕ The \$380,000 in contingency funding is not necessary and not including it in the EQC's recommendations is fair.

- ⊕ The citizen advisory council met nine times between August 2013 and June 2014 and held nine other public meetings on its proposed changes to the hunting and fishing license system, providing ample opportunities for the public to comment on the advisory council's work. However, more educational outreach is needed so that people have a chance to be informed about what the proposed revenue increases would do for FWP, and why they are necessary, before the 2015 Legislature decides whether to approve them.
- ⊕ In every session, legislators introduce bills to provide special free or discounted licenses to certain citizens. This piecemeal approach to modifying Montana's fishing and hunting licenses erodes and complicates the licensing system as a whole and should be stopped.
- ⊕ FWP should have presented options during the interim for reducing agency expenditures instead of postponing that debate until the 2015 legislative session.



Background

The HB 609 study grew out of concerns about the stability of and long-term funding for the Department of Fish, Wildlife, and Parks (FWP) and the complexity of its hunting and fishing license structure, which provides about two-thirds of the agency's revenue for fish and wildlife management in Montana.

A citizen's group, known as the Fish and Wildlife Licensing and Funding Advisory Council (LFAC), also spent nine months during the 2013-2014 interim examining the license structure at the request of the governor. The LFAC's final report is provided in Appendix C. The EQC followed the advisory council's work closely and incorporated the information developed by the LFAC into the HB 609 study process.

Filling the Bathtub

FWP's fish and wildlife management programs and related operations are funded on a roughly 10-year cycle that is considered structurally imbalanced. This means that for the first half of the cycle, FWP collects more in license revenue than it spends -- building the balance in its general license account (GLA). At the mid-point of the cycle, revenues and expenditures are roughly equal. And, in the last half of the decade, the department spends more than it takes in -- drawing down the balance in the GLA. Some describe this as the financial equivalent of filling and draining a bathtub.

FWP is in the second half of the current 10-year cycle and estimates it has enough revenue to sustain daily operations and meet financial obligations through Fiscal Year (FY) 2017.

The Legislature invariably tweaks FWP's licensing system every session. The last wholesale pricing increase, approved in 2005 with House Bill No. 172 (Appendix D), made the following changes:

- ⊕ increased permit drawing fees from \$3 to \$5;
- ⊕ increased wildlife conservation license fees from \$6.25 to \$8 for residents and \$9.25 to \$10 for nonresidents;
- ⊕ increased resident paddlefish, upland game bird, wild turkey, migratory game bird, deer, elk, mountain lion, moose, mountain goat, mountain sheep, antelope, black bear, wild buffalo, and combination sports license fees;
- ⊕ increased B-10 nonresident big game combination and B-11 nonresident deer combination license fees¹;

FWP estimates it has
enough revenue to sustain
daily operations and meet
financial obligations
through Fiscal Year 2017.

¹Fees for nonresident B-10 and B-11 licenses were subsequently raised in 2011 by the passage of Initiative No. 161 in 2010.

- ⊕ created the discounted resident senior combination license for \$55 in lieu of the regularly priced \$70 license;
- ⊕ increased discounted deer and elk license prices for disabled residents; and
- ⊕ increased discounted deer, elk, and fishing license prices for resident youth between the ages of 12 and 15.

A change in application procedures and fees enacted by the 2013 Legislature (House Bill No. 401) went into effect in License Year (LY) 2014 and is expected to generate at least \$1.2 million in new revenue for the agency.

Funding Sources

Like many fish and wildlife agencies across the United States, FWP relies heavily on license revenue and receives little money from the state general fund -- 0.39% of its overall \$92.7 million² budget in FY 2014. The largest portion of FWP's budget -- about \$81.5 million -- relates to fish and wildlife management. License revenue generated 62.3% of that funding in FY 2014 and the federal Pittman-Robertson (P-R) and Dingell-Johnson (D-J) programs contributed 19.25%.

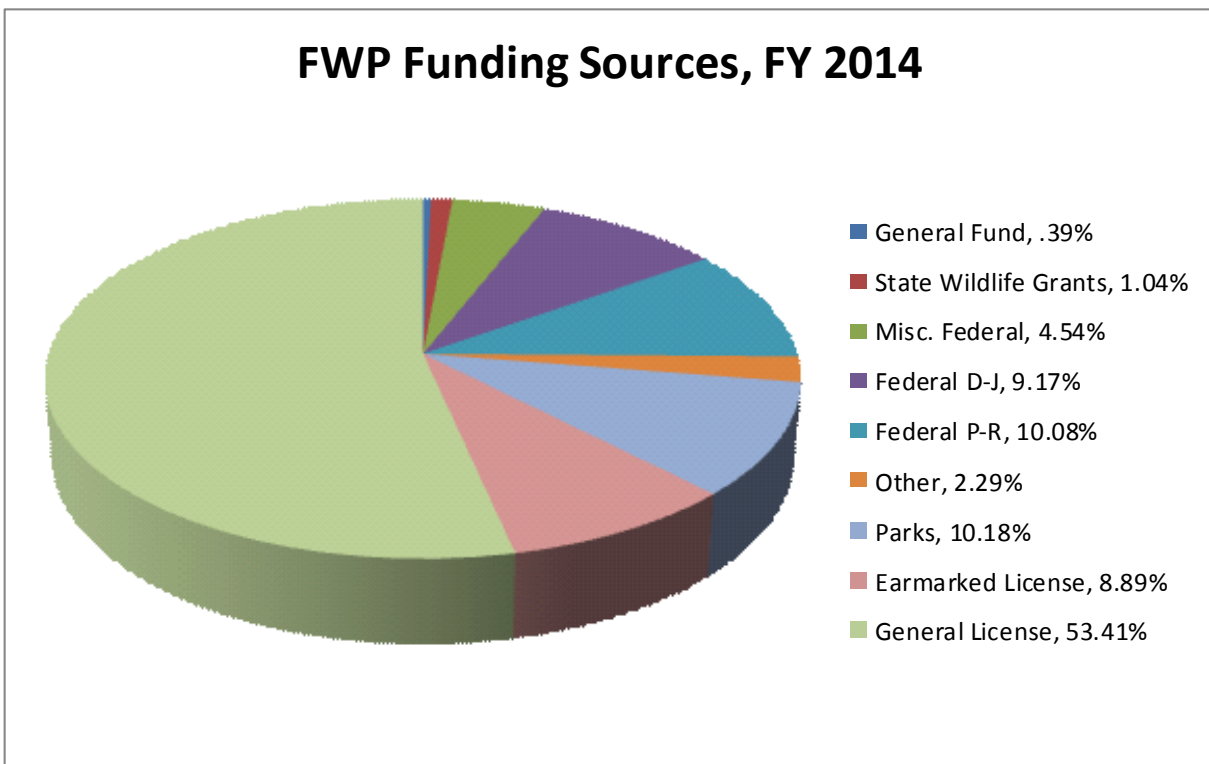


Figure 1: Source: Department of Fish, Wildlife, and Parks

²This figure includes \$805,367 FWP expects to pay in local property taxes in FY 2014 and \$1,028,066 in bed tax collections the agency expects to remit to the state.

P-R and D-J funds must be used for specific purposes related to fish and wildlife management and require a 25% state match. The funds are generated by federal excise taxes on guns, ammunition, and fishing equipment. This revenue is distributed annually to eligible states according to a congressionally approved funding formula that's based largely on a state's size and the number of paid hunting and fishing license holders it has. (Brochures developed by the EQC to explain the P-R and D-J programs can be found in Appendix E.)

FWP says shoring up its budget by shifting costs from state funds to federal Pittman-Robertson dollars is unlikely to be sustainable in the long-term depending on gun and ammunition sale trends.

P-R funding rose in recent years with increased gun and ammunition sales. Prior to 2009, the 5-year average for P-R funding received by Montana was \$6.65 million according to FWP. Between 2009 and 2013, the average was \$11.1 million³. FWP used this increased funding source to shore up its budget -- shifting about \$1.5 million in costs from state funds to P-R dollars. FWP says this shift is unlikely to be sustainable in the long-term, depending on gun and ammunition sale trends.

Making Cuts

In addition to shifting funding sources, FWP reduced expenditures by \$1.24 million per year at the request of Director Jeff Hagener. The Legislative Fiscal Division prepared a synopsis of the budget savings by FWP for FY 14 and 15, which can be found in Appendix F. Reductions include:

- ⊕ \$380,777 in wildlife programs;
- ⊕ \$244,000 in fisheries costs;
- ⊕ \$200,000 in shooting range grants;
- ⊕ \$187,000 in finance division operations;
- ⊕ \$80,000 in technology services; and
- ⊕ \$70,000 in director's office and administrative costs.

Earmarks

About \$14 million of FWP's budget each year is directed by earmarks, which "are statutory requirements to put certain funds into special accounts for special uses"⁴. FWP has more than 60 earmarks, including for the Block Management Program, Habitat Montana, search and rescue support for local governments, and the Upland Game Bird Program. Appendix G shows which portions of hunting and fishing license fees are allocated to earmark programs.

³In 2014, FWP received \$20.2 million in P-R funds -- a 40% increase over 2013. Montana's portion of D-J funding, meanwhile, declined by 12% in 2014 to \$7.6 million.

⁴Fish and Wildlife Licensing and Funding Advisory Council, Recommendations, April 28, 2014, page 16.

Earmarks are sometimes specific dollar amounts and other times calculated as percentages of license fees. FWP says the size of the earmark doesn't always align with what the agency can spend in a given year (e.g. a lack of actionable easements for public hunting access through private land). Therefore, some earmark accounts accrue balances because the money can't be redirected to other costs. A 4-year comparison of ending fund balances for earmarked license fees at fiscal year end in 2010 through 2013 is provided in Appendix H.

Projected Expenditures

Based on the following assumptions⁵, FWP estimates it needs an additional \$5.75 million in license revenue each year to maintain its current level of fish and wildlife program services:

<ul style="list-style-type: none"> ⊕ Current (FY 2014 and 2015) legislatively approved spending levels for FWP roll forward with no changes and no consideration for inflation; ⊕ Self-imposed budget reductions (\$1.24 million) in place for the current biennium will be permanent; ⊕ An estimate of costs related to legislative pay plans, pensions, and future budget requests is included in the annual expenditures each year after FY 2016 (see Figure 2); ⊕ Federal P-R and D-J funding levels remain static; and ⊕ FWP will maintain a minimum balance of \$10 million in the GLA to cover the cost of day-to-day operations. 	<hr/> <p style="margin: 0;">FWP estimates it needs an additional \$5.75 million in license revenue each year to maintain its current level of fish and wildlife program services</p> <hr/>
---	--

Figure 2 was prepared by FWP for the LFAC and EQC to demonstrate expected expenditures from the GLA in the coming years. A 3% inflationary factor is used to predict pay plan and pension costs in the red portion of the bar chart. These increases would be dependent on legislative approval and are not guaranteed. No inflationary factor is used for the base expenditures depicted in the blue portion of the chart for FY17 and later.

Licensing Trends

Revenue from the sale of hunting and fishing licenses fluctuates year-to-year. However, FWP staff says other factors are making funding predictions more difficult.

⁵Fish and Wildlife Licensing and Funding Advisory Council, Recommendations, April 28, 2014, page 8.

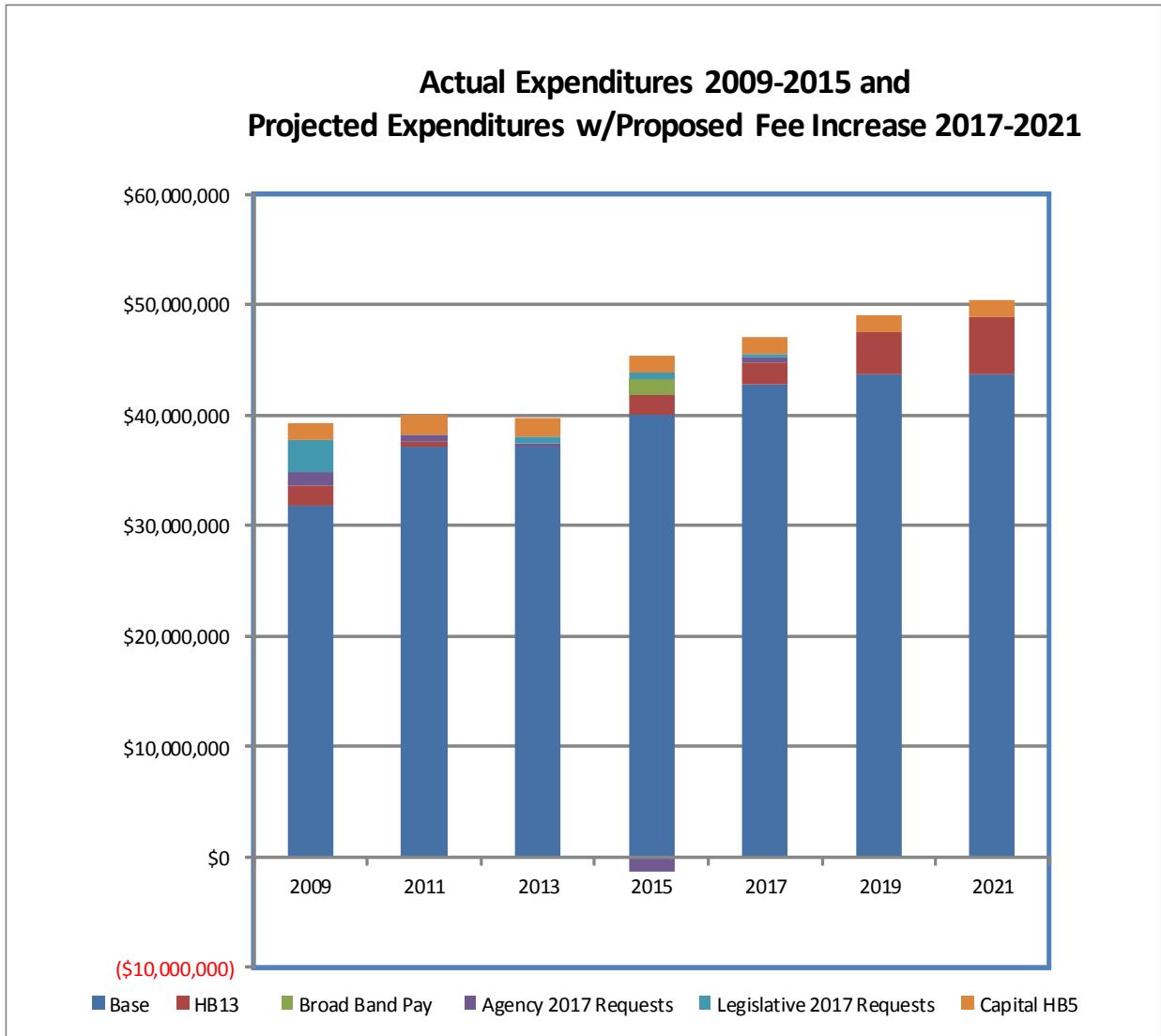


Figure 2: Source: Department of Fish, Wildlife, and Parks

Since 2008, FWP has not sold out of its biggest revenue generator -- the 17,000 B-10 big game combination licenses⁶ available to nonresidents -- on the March 15 application deadline. Various sources attribute this to the poor economy, declines in game populations, concerns about the impact of wolves on elk, and weather.

Price increases passed by Initiative No. 161 are also a concern. Starting in 2011, I-161 increased the base price of a B-10 license from \$628 to \$897 and a B-11 nonresident deer combination

⁶B-10 nonresident big game combination licenses include elk and deer tags and upland game bird and fishing licenses. B-11 nonresident deer combination licenses include the same, except for the elk tag.

license from \$328 to \$527. I-161 also requires an annual price adjustment based on the consumer price index for all urban consumers (CPI-U). With the CPI-U adjustments, the price of the B-10 increased to \$961 in LY 2014 and the B-11 to \$565.

House Bill No. 607 (2011) impacted license sales by allowing nonresidents who apply for a B-10 license but who are unsuccessful in an elk permit drawing to return the elk tag portion of the B-10 and retain the remainder as a B-11 deer combination license. FWP can resell the elk tag portion of the license, which HB 607 supporters hoped would generate additional revenue for the agency. However, FWP has been unable to resell all of the elk tags to date, resulting in a net loss in revenue compared to pre-HB 607 license years and unrealized gains from the unsold elk licenses (Figure 3).

Money Effects of 607 by Year									
	2013			2012			2011		
	Number	Amount	Total	Number	Amount	Total	Number	Amount	Total
Original Big Game Issued and Refunded	2,028	\$944	(\$1,914,432)	2,174	\$929	(\$2,019,646)	805	\$907	(\$730,135)
New Deer Licenses Issued	2,028	\$555	\$1,125,540	2,174	\$546	\$1,187,004	805	\$537	\$432,285
Reissue Fee	2,028	\$25	\$50,700	2,174	\$25	\$54,350	805	\$25	\$20,125
Elk Licenses Resold	585	\$794	\$464,490	453	\$757	\$342,921	0	\$757	\$0
Net Gain/Loss			(\$273,702)			(\$435,371)			(\$277,725)
Value of Unsold Elk Licenses	1,443	\$794	\$1,145,742	1,721	\$757	\$1,302,797	805	\$757	\$609,385

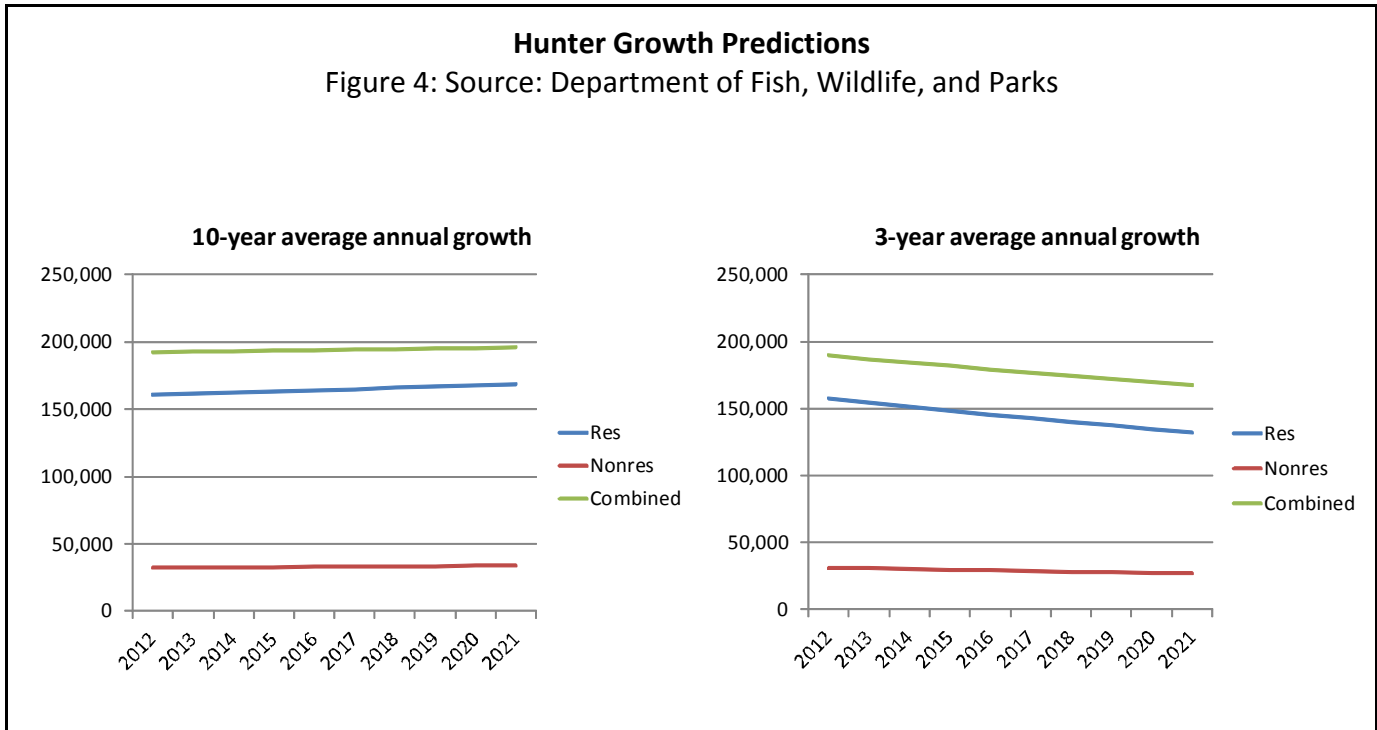
Figure 3: Source: Department of Fish, Wildlife, and Parks

FWP conducted a study of its Automated License System (ALS), using data from the years 2002 to 2011, to glean the following information about Montana's hunting population and trends related to recruitment, retention, and demographics⁷:

- ⊕ There were about 490,000 resident and nonresident deer and elk hunters in Montana during the study timeframe.
- ⊕ About one third of hunters in Montana do not purchase a license every year.
- ⊕ The average retention and recruitment growth rate for hunters is relatively stable -- declining by 0.04% per year over the 10-year period. However, when reviewed over a more recent 3-year period (2009-2011), the decline increases to 2.5% per year (Figure 4).
- ⊕ The demographics of new recruits are as follows: there are more nonresidents than residents, more younger than older, and more women than men.
- ⊕ Hunter retention is more influential than hunter recruitment, meaning that a 9% retention rate is needed to maintain a stable hunter population compared to a 200% increase in recruitment.

⁷Fish and Wildlife Licensing and Funding Advisory Council, Meeting Summary, August 13-14, 2013, page 7.

- ⊕ The hunter population mirrors the general population and hunter participation declines with an individual's age.
- ⊕ Price matters -- there are fewer new hunters following a license price increase.



If the 3-year trend in hunter retention and recruitment is more predictive than the 10-year trend, further decline in the number of hunters buying licenses could compound FWP's financial concerns. Nationally, the number of paid hunting license holders has declined from 16 million in the mid-1970s to 14.6 million in 2013⁸.

⁸Scott Greenberger, *Sportsmen Push for Constitutional Hunting and Fishing Rights*, The Pew Charitable Trusts, May 6, 2014.



Other States

Legislative staff compared hunting and fishing license prices in 12 western states to get a sense of where Montana falls in the ranks of total cost⁹ to hunt or fish. The comparison states included Arizona, Colorado, Idaho, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming. The licenses compared were antelope, bighorn sheep, bison, black bear, deer, elk, fishing, moose, mountain goat, mountain lion, turkey, upland game birds, and wolf.

When comparing resident license prices (Appendix I), Montana falls below the average and median cost for all of the licenses reviewed (most notably bighorn sheep, bison, moose, and mountain goat), except for wolves. Only Montana, Wyoming, and Idaho currently have wolf licenses available. Montana is \$1.08 above the average wolf license price and is the median license price.

When comparing nonresident license prices (Appendix J), Montana falls below the average and median cost for about 60% of the licenses (most notably bighorn sheep, bison, moose, and mountain goat). Montana is above the average and median for five species (most notably deer and elk).

Legislative staff also compared free and discounted licenses¹⁰ available to youth, seniors, the disabled, service members, and veterans in the 12 states. (Appendices K through N) Criteria to qualify for these free and discounted licenses varied by state and the type of license available. Montana, for instance, has the earliest qualification for senior discounted licenses at age 62. (Most other states qualify seniors at age 65 or 70.)

Like Montana, other states' fish and wildlife agencies are facing tough budget questions. After the 2013 Wyoming Legislature rejected a proposed license fee increase, the Wyoming Game and Fish Department cut \$7 million

Recent budget cuts in other states'
fish and wildlife programs and
operations:
Wyoming = \$7 million
Idaho = \$3.7 million
Colorado = \$10 million

⁹When calculating the "total cost" to hunt or fish, the analysis included the cost of any prerequisite licenses or fees required to purchase a particular license.

¹⁰FWP lost \$4.5 million in unrealized revenue from free and discounted licenses for youth, seniors, the disabled, service members, veterans, and nonresidents in License Year 2012. (Appendix O)

(10%) from its FY 2014 budget ¹¹. This included reductions in personnel and related costs (achieved through attrition and vacancy savings), operating costs, projects, one-time purchases, reimbursable grants, public hunting and fishing access easements, educational publications, fish stocking, and fish passage projects, and the postponement of fish hatchery upgrades.

The 2014 Wyoming Legislature again declined to increase license fees, but shifted the cost of some programs to the state general fund, including:

- ⊕ \$4.7 million for Game and Fish employees' health insurance;
- ⊕ \$2 million for grizzly bear management; and
- ⊕ \$1.5 million for veterinary services, sensitive species, wolves, sage grouse, and aquatic invasive species.

In Idaho, the 2014 Legislature rejected a proposal to increase its resident license prices by 20%. A nonresident price increase was approved in 2009 but hasn't helped the agency's bottom line because of a subsequent drop in sales, which the state has attributed to not only the increased prices, but also the weakened economy, and concerns about the impact of wolves on elk.

As a result, Idaho Department of Fish and Game Chief Financial Officer Michael Pearson says he's currently looking to cut \$1.3 million from the agency's FY 2015 budget, and \$2.4 million from the FY 2016 budget. The options range from cutting administrative costs, like cell phone and food reimbursements for employees, to cutting programs.

"I'm up to my neck in alligators," Pearson says.

In November, the Colorado Parks and Wildlife Commission cut \$10 million from its agency's wildlife programs and operations. Chief Financial Officer Steve Cassin says that equals about 8-10% of the overall wildlife budget. Several grant, research, and species monitoring programs were affected, as well as funding for capital expenditures, public outreach, marketing, IT support and engineering, and hunter access operations in eastern Colorado. Cassin says the agency also reduced its roughly \$13 million annual land acquisition budget by \$2 million.

Cassin says Colorado last raised fees for resident licenses in 2006 and for nonresident licenses in 2001. Nonresident fees, however, have been inching up since then, says Cassin, because statute requires an annual adjustment based on the consumer price index. Cassin says the agency is currently working on a number of initiatives to develop additional revenue.

¹¹An increase in costs for the Wyoming Game and Fish Department's feedground and game damage programs decreased the net budget reduction to 6.5%.



The Bottom Line

To put FWP on stronger financial footing, the Legislature could make any of the following choices or a combination thereof: 1) increase revenue; 2) decrease expenditures; or 3) redistribute revenue currently earmarked for specific purposes. FWP told the LFAC in August 2013 that in the making of these choices, the department would also like to provide better customer service and proceed with a solid business case.

After reviewing the preceding information, the LFAC made a series of recommendations for revamping Montana's existing hunting and fishing license structure and increasing fees to boost revenues for FWP by \$6.13 million. This includes \$380,000 in emergency funding that could be used by FWP if new, unfunded fish and wildlife mandates arise.

To put FWP on stronger financial footing, the Legislature could:

- 1) increase revenue;
- 2) decrease expenditures;

and/or

- 3) redistribute earmarked funds.

The EQC authorized preliminary drafting of these recommendations, a summary of which is found on page 22, at its May 2014 meeting for further consideration.

The primary revenue generators proposed by the LFAC include increasing fishing license fees, creating a base hunting license as a prerequisite to all other hunting licenses, and eliminating free licenses and standardizing discounts offered to youth, senior, disabled, and nonresident hunters and anglers, which cost FWP more than \$4.5 million in lost revenue each year (Appendix O).

The LFAC did not address earmarks or additional budget cuts. Members said those issues are best left to the Legislature.

Other Revenue Options

The LFAC contemplated, but did not act upon, two other options to provide additional funding for fish and wildlife management: nonconsumptive users (e.g., hikers, campers, photographers, bird watchers, etc.) and the state general fund.

The LFAC discussed that while everyone in the state and visitors benefit from FWP's management, the costs are primarily borne by hunting and fishing license buyers¹². The LFAC "noted that hunters and anglers ("consumptive users") have been divided in the past on the subject of establishing additional sources of revenue because of the perception that if non-hunting and non-angling interests ("non-consumptive users") contribute financially there would be an accompanying expectation of input and influence on fish and wildlife management decisions. Some people expressed concern that hunting and angling interests might not be as strongly represented in decision-making if other interests are contributing financially."¹³

The LFAC discussed how the wide ranging benefits of FWP's fish and wildlife management could justify financial contributions from the state's general fund¹⁴. However, LFAC members said this idea was "unlikely to garner legislative support. The Council believes that, generally, there is a shared set of values between consumptive and non-consumptive users of fish and wildlife. Members noted that non-license buyers are already influencing FWP management decisions, and that this would not be a change if revenue was obtained from additional sources."¹⁵

Ultimately, the LFAC did not move forward with either concept. However, it noted the creation of the proposed base hunting license would leave the existing wildlife conservation license as a stand-alone entity that could be purchased by nonconsumptive users to support fish and wildlife management. The LFAC also made the following statement:

"All Montanans and visitors benefit from the management activities of Montana Fish, Wildlife, and Parks. FWP's management is currently paid for largely by people who purchase hunting and fishing licenses. Of those who do not purchase a license, some benefit in ways that have a physical presence creating impacts that FWP must manage. Others benefit without a physical presence and do not create impacts. Because of the above, FWP and the legislature need to develop/provide mechanisms in addition to license dollars to fund the management and maintenance of the resources that provide these benefits."¹⁶

¹²Fish and Wildlife Licensing and Funding Advisory Council, Recommendations, April 28, 2014, page 17.

¹³Ibid.

¹⁴Ibid.

¹⁵Ibid.

¹⁶Ibid, page 17-18.



LFAC Recommendations

The LFAC, appointed at the request of the governor, spent 9 months examining FWP's hunting and fishing license system. The EQC followed the advisory council's work closely and has incorporated the information developed by the LFAC into its HB 609 study deliberations.

In May 2014, the LFAC submitted the following recommendations to the EQC regarding changes to FWP's license system, "with a goal of generating revenue for fish and wildlife management, and in the interest of simplifying the license structure"¹⁷:

1. **Recommendation:** Standardize youth, senior, disabled, and nonresident free and discounted licenses at 50% of the equivalent, full-priced license. Increase the age at which seniors are eligible for discounted licenses from 62 to 67.

Rationale: A standard 50% discounted license will simplify license purchases, helps ensure that the buyer sees value in the license (compared to how someone views a free license), and means that those paying the full license price do not have to completely subsidize hunters and anglers receiving free licenses. Eliminating the free licenses will also result in additional revenue. Montana has the lowest age for eligibility for a senior discounted license and age 67 is comparable to Social Security eligibility requirements.

2. **Recommendation:** Establish a new base hunting license at a cost of \$10 for residents and \$15 for nonresidents that is a prerequisite to purchasing individual species tags and the archery stamp. These prices include the existing Hunting Access Enhancement fee (\$2 for residents and \$10 for nonresident).

Rationale: The base license is preferable to increasing the prices of individual species tags, as it recognizes the value of core customers, spreads the financial impact across all hunters, provides equity between firearm and archery hunters who are paying for additional season opportunities, resolves archery stamp compliance issues, contributes to FWP's financial stability, overcomes potential vulnerability in the number of licenses sold, and allows the conservation license to remain as a stand-alone item that could generate revenue from non-consumptive users in the future.

3. **Recommendation:** Increase prices for bison, moose, mountain goat, and mountain sheep *nonresident* licenses from \$750 to \$1,250.

¹⁷Fish and Wildlife Licensing and Funding Advisory Council, Recommendations, April 28, 2014, page 5.

Rationale: The opportunity to hunt bison, moose, mountain goat and mountain sheep in Montana is highly desirable to hunters. The current prices for these licenses are undervalued when compared to other states that offer similar opportunities.

4. **Recommendation:** Increase the price of the *resident* 2-day fishing license from \$5 to \$8, and the *resident* season license from \$18 to \$24; increase the price of the *nonresident* 2-day fishing license from \$15 to \$26, convert the 10-day *nonresident* fishing license into a 7-day license and increase the cost from \$43.50 to \$56, and increase the *nonresident* season fishing license from \$60 to \$86.

Rationale: The Council believes that Montana's fishing opportunities are currently undervalued. Montana's *resident* fishing license pricing fell below the 11-state *average* and *median* prices. Montana was also below the average for *nonresident* fishing license pricing when compared to most of the other states. There is also data showing that on average, nonresidents who purchased a 10-day license go fishing seven days. Changing to a 7-day license is a better match with customer use patterns.

5. **Recommendation:** Cap the price of the B-10 nonresident big game combination license and the B-11 nonresident deer combination license, including purchase of the new base hunting license and application fees, at \$999 and \$625 respectively.

Rationale: Revenue from the sale of these nonresident licenses accounts for almost two-thirds of FWP's funding for fish and wildlife management programs that benefit everyone. Statute requires the B-10 and B-11 license prices to be adjusted annually based on the Consumer Price Index. The price of the B-10 license is nearing \$1,000. The Council believes that there will be significant buyer resistance if the price exceeds this amount. FWP has already observed a decline in the sale of nonresident combination licenses as the price has increased.

6. **Recommendation:** Revise the refund policy to allow nonresidents who are unsuccessful in drawing a permit to receive a 95% refund of the big game combination license at the time of the drawing (a change from 80%).

Rationale: The financial impact of changing the policy is small compared to the positive benefits for the customer. The Council believes that the current refund policy is a financial deterrent for many nonresidents considering whether to hunt in Montana. The Council predicts that increasing the amount of the refund will result in more people applying and will create a greater incentive for early license returns and provide FWP greater opportunity to re-sell returned licenses.

7. **Recommendation:** Adopt a 4-year model (cycle) for reviewing budget expenditures and revenues and determining the need for license revenue recommendations to the Legislature.

Rationale: Compared to the current 10-year funding model, a 4-year model allows the legislature a closer connection between spending and revenues, results in a smaller increase in license fees when necessary, and allows for more accurate budget forecasting.

8. **Recommendation:** Develop and provide mechanisms in addition to license dollars to fund the management and maintenance of fish and wildlife resources.

Rationale: All Montanans and visitors benefit from FWP's management activities, which are currently funded largely by people who purchase hunting and fishing licenses. Of those who do not purchase a license, some benefit in ways that have a physical presence creating impacts that FWP must manage. Mechanisms are needed to enable non-license buyers to help support fish and wildlife management.

The LFAC also reviewed FWP's current earmarks. Noting that each earmark has a constituency, and that earmarks are inherently political, the LFAC concluded it would be difficult for the advisory council "to recommend changes to specific earmarked funds without input from the various constituent groups that support each"¹⁸. The Council determined that the Legislature would be better suited to review and address the future of FWP's earmarks.

Financial Impacts

FWP estimates the LFAC's preliminary recommendations would generate \$6.13 million in additional revenue each year (Figure 5). This is about \$380,000 more than FWP estimates it needs to maintain current levels of service. However, the LFAC says it is important to have some emergency funding available for new, unfunded mandates that could arise in the future (e.g. management of wildlife species that are removed from the endangered species list).

¹⁸Fish and Wildlife Licensing and Funding Advisory Council, Recommendations, April 28, 2014, page 17.

**LICENSING AND FUNDING CITIZEN ADVISORY COUNCIL
Preliminary Recommendations Revenue Estimates**

Recommendations	Revenue Estimate
Increase resident and nonresident fishing licenses.	
* Resident season @\$24/2-day @ \$8	\$839,000
* Nonresident season fishing @ \$86/7-day @ \$56/2-day @ \$26	\$2,333,000
Set the nonresident license prices for moose, goat, sheep, and bison at \$1,250.	\$44,500
License Structure Simplification:	
* 50% standard discount	
Resident	\$437,000
Nonresident	\$238,000
* Age to qualify for resident senior discounts @ 67/50% discount.	\$570,000
Establish the base license prices, including the HAEF, at \$10 for residents and \$15 for nonresidents. The fee for the archery stamp will remain \$10.	
* Resident	\$1,477,000
* Nonresident	\$191,000
TOTAL	<u>\$6,129,500</u>
Resident %	54%
Nonresident %	46%
	100%

Figure 5: Source: Department of Fish, Wildlife, and Parks



EQC Action

At its May 2014 meeting, the EQC opted to move forward with the drafting of the LFAC's preliminary recommendations in bill drafting format for discussion purposes. After reviewing the draft (Appendix P) in July, the EQC made two changes:

First, the EQC eliminated the contingency funding by making a \$500,000 reduction to the overall package. The EQC accomplished this by reducing the proposed fee increase for the resident season fishing license from \$24 to \$21 (currently the license is \$18) and the nonresident 2-day fishing license from \$26 to \$25 (currently the license is \$15).

Second, the EQC retained the 10-day nonresident fishing license instead of converting it to a 7-day license.

The EQC then voted to send the revised package of recommendations out for a 30-day public comment period. In all, 256 individuals and groups submitted comments. Of those, 35 were against the recommendations, 4 were generally against the proposal, 185 were in favor of the package, 15 were generally in favor, 12 comments couldn't be classified, and 5 comments spoke only of support for the Block Management Program, not the recommendations themselves. All of the comments are available for review online at:

<http://leg.mt.gov/content/Publications/Environmental/2014-hb609-public-comment.pdf>.

At its September 2014 meeting, the EQC reviewed the comments and voted 9-7 to send the bill draft (now known as LC 385) to the 2015 Legislature for consideration "as is".