

**Montana Department of Fish, Wildlife and Parks
Fish and Wildlife Licensing and Funding Advisory Council
Meeting Summary, August 13-14, 2013**

Council Members Present: Mark Aagenes, Tim Aldrich, Ed Beall, Robin Cunningham, Bob Gilbert, Art Hayes, Ed Hammer, Jim Olson, Debby Perry, Senator Kendall Van Dyk, FWP Commissioner Chair Dan Vermillion, Representative Jeff Welborn. Not present: Brett Todd

Fish, Wildlife and Parks: Ron Aasheim, Susan Daly, Justin Gude, Jeff Hagener, Quentin Kujala, Paul Sihler, Charlie Sperry, Hank Worsech

Environmental Quality Council: Joe Kolman

Facilitator: Barb Beck, Beck Consulting

Welcome and Introductions

Paul Sihler welcomed the council on behalf of Fish, Wildlife and Parks (FWP) Director, Jeff Hagener. Director Hagener will be joining the council on the second day. Council members, FWP staff, and the facilitator introduced themselves. Paul emphasized that the department considers the work of the council to be very important. The department has a team of staff dedicated to this process. The Advisory Council's efforts will dovetail with work being done by the Environmental Quality Council (EQC.)

Governor Bullock asked FWP to look at the financial situation of the department. This led to the formation of the Advisory Council. The last increase in general resident license pricing was in 2005. The department is operating based on a 10-year funding cycle model that is considered "structurally imbalanced." This means that for the first half of the 10-year cycle FWP collects more in revenue than it spends. 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. The department is now in the second half of the decade and revenues no longer equal expenditures.

There is a set of choices on how to proceed so that FWP is on firm, stable financial footing—all of which are likely to require legislation. The choices include raising revenue, cutting costs, or some combination of raising revenue and cutting costs. This process is about more than simply funding, the department wants to provide better service to its customers, and proceed with a solid business case. In a related effort to that of the council's, FWP will be starting to let the public know about the current financial situation.

The Environmental Quality Council (EQC) is conducting a study between legislative sessions as directed by House Bill (HB) 609. FWP is working to ensure that the process for the Fish and Wildlife Licensing and Funding Advisory Council is coordinated with the work of the EQC to the extent possible. The tasks that the legislature has asked of the EQC line up with the charge from the Director of FWP for this Advisory Council. The work of the Advisory Council will be iterative with the EQC, providing them with updates and information from the Advisory Council at their quarterly meetings.

Paul talked the council through the elements of the Director's purpose statement. The specific tasks include;

- Evaluating options and recommending approaches for improving the structural imbalance of fish and wildlife management funding and expenditures;
- Proposing changes to hunting and fishing licenses that streamline and simplify the structure and types of fishing and hunting licenses in order to improve service and better meet the needs of license buyers;
- Assessing the impact of free and reduced price hunting and fishing licenses on funding for fish and wildlife management and, if appropriate, recommending modifications to these licenses;
- Evaluating the earmarking of hunting and fishing license funds;
- Proposing prices for hunting and fishing license funds that will result in a sufficient and stable source of revenue and funding for fish and wildlife management;
- Evaluating the appropriate role of fishing and hunting license buyers and other fish and wildlife users in funding fish and wildlife management; and
- Developing a final report to the Director of Montana Fish, Wildlife and Parks on the advisory council's findings and recommendations.

The timing of the council's work needs to be coordinated with the legislative calendar, so it will be critical to have the recommendations ready for the Director by March 15, 2014.

The Advisory Council then had discussion about their charge from the Director. They clarified the meaning of "structure of hunting and fishing licenses" to mean the list of licenses. They inquired whether there had been similar previous efforts. There have been piece meal efforts. There has not been a comprehensive effort such as this one in the past. Department staff clarified that the Advisory Council will not be looking at Parks revenues or expenditures, the charge is limited to hunting and fishing. There were also questions about the EQC process and how this one will be coordinated with the EQC. These were deferred until the following day when this will be explained in more detail. But department staff did explain that FWP is the entity accountable to the EQC, not the council and that it will be desirable for the council to interact with the EQC--as they believe appropriate--later in the process. One council member expressed a concern that the work of the group needs to result in a product that can move forward into legislation.

General comments included that the council believes they have the opportunity to make a difference, that they are looking forward to learning through this process, and that the work of the department is important to the quality of life and the hunting and fishing opportunities of all Montanans.

Following this discussion each council member indicated their acceptance of the charge to the council.

Council Members' Views of Success for Their Work

Each council member was asked to explain what success of the council would look like to him or her. The following are the thoughts shared by the council members.

- There is public acceptance of the products of the council. The process is transparent. Council members work together. FWP funding is sustained on a shorter cycle than the current 10-year cycle. And, that fees balance with willingness to pay. Advisory Council recommendations survive EQC scrutiny and legislative objectives.
- The public believes the process was and is fair.
- The recommendations are put together by people with broad interests.
- There is a more equitable distribution of license costs between residents and non-residents.
- There is successful outreach so that hunters and anglers understand the value of their license dollars (awareness and marketing.)
- That the future of hunting and angling opportunities are secured.
- There is an improved business model that benefits both the public and FWP.
- Demonstrate linkage between license revenue and opportunities.
- That legislation to implement the recommendations passes.
- Ensure hunting and fishing opportunities are still affordable.
- Look at how other user groups (in addition to anglers and hunters) can contribute to and support the department. Also, expand the interests that will engage with FWP on management.
- See an increase in the number of licenses sold as a measure of success.
- Simplify the license structure, the number of types of licenses.

Council members each gave some personal background information about themselves. There is a tremendous amount of experience in fish and wildlife program/department management, the legislative process, and economics/accounting within the group. The group then adjourned and attended an informal evening social event at Montana Wild.

Director's Message

FWP Director, Jeff Hagener addressed the Advisory Council on the second day of the meeting. Director Hagener explained that the council is very important to the future of Fish, Wildlife and Parks. The current situation (the 10-year funding cycle) makes agency administration very difficult. And, license fee changes are also difficult. There are bills introduced every legislative session for additional free and discounted licenses and for more work and projects. The department attempted unsuccessfully to address the 10-year funding cycle structural imbalance in 2005. Since that time they have made adjustments including receiving additional revenue from the excise tax collected on the sale of guns and ammunition. But these funds (Pitman-Robertson and Dingle-Johnson) have been affected by sequestration in the federal government. Some non-resident license prices have also been increased. Now Montana is somewhere in the middle of other states regarding the non-resident license prices. Director Hagener believes an increase in the price of licenses for residents may be appropriate.

Director Hagener again stressed the importance of the work of the council and his hope for a strong consensus among the council members leading to success with the legislature. The EQC will screen any legislation proposed by the Advisory Council. The department works through the Governor and is already talking with the Governor about the funding situation. A big issue—most likely extending beyond the work of the Advisory Council is to look at interests other than hunters and anglers and how they might support the department financially to manage all fish and wildlife species in the state.

Environmental Quality Council and HB609

Joe Kolman, EQC staff, explained that the EQC is a bi-partisan standing interim committee of the legislature. The council is made up of 17 members (six lawmakers from each party, four public appointees, and one non-voting representative of the Governor's Office.) The EQC has oversight authority over the Department of Environmental Quality, Department of Natural Resources and Conservation, and Fish, Wildlife and Parks. EQC is engaged in many studies including studies about federal land management and management of state properties, in addition to looking at FWP's funding situation. EQC meets eight times over each two-year period. The council drafts legislation in March, goes out for public comment in the summer, and then finalizes the draft legislation in September. The processes with EQC and the Advisory Council are intended to mesh. HB 609 directs that there be comparison with other states (EQC staffer, Hope Stockwell is looking at this and will be bringing information to both councils) and to prepare a final report. The EQC could use the report and/or recommendations of the Advisory Council or produce their own report. The EQC has the power to determine whether legislation is "pre-drafted." Legislation can also be drafted during the session or be introduced by one or more individual legislative sponsors. FWP staff expressed the desire for the Advisory Council process to be iterative by offering a set of options to EQC for their feedback and then moving ahead working with the EQC's recommendations. Both entities—the EQC and the Licensing and Funding Advisory Council—are working on the same issue, but each could potentially go their own direction at any point.

Advisory Council members were referred to a graphic in their notebooks that displayed the relationship of the EQC, the Advisory Council, and the public, and the progression of each process.

Related FWP Activities

Paul Sihler explained that the department is planning a three-phase outreach to the public on the subject of the department's financial situation.

- 1) Talk about the current situation/problem—the need for change in revenue and/or expenditures,
- 2) Communicate the work from this group so that when the Advisory Council proposes options there will be an awareness of the work, and
- 3) Encourage support for eventual legislation to address these issues.

Paul explained that the department wants to actively support the work of the council and not direct or guide it. FWP expects that the council will produce some new ideas and will be available to provide staff work as needed.

Roles

The council spent some time discussing and getting clear on their role related to other entities. These other entities included the EQC (captured above), the council itself, the department, legislators, the public and the media.

The council members defined their own roles as follows:

- To represent various viewpoints such as landowners, for example,
- To engage with all others,
- To look for new ideas and expand on previous work of the department,
- To decide on recommendations,
- To master the facts and figures so as to be accurate spokespersons,
- To listen to the public and other input,
- To disseminate information from the council outward,
- To sort out what is most important,
- To formally brief constituent groups and also visit and listen in informal settings (coffee shops),
- To balance out all of the different input received,
- To develop a sense for what people will support,
- To be prepared to talk through and explain the effects of individual decisions to special interests, and
- To contact their individual legislators later in the process to seek support for the council's recommendations.

Council members should feel free to contact department staff with any questions or requests for information. There is no need to go through Paul Sihler or Charlie Sperry each time. The FWP internal team will be talking with each other regularly so that they are all up to speed on the issues. Department staff contact information was provided in the notebooks given to each council member.

The council members discussed the desirability of appointing one of their own members as chairperson of the Advisory Council. Various council members expressed both support and opposition to the idea of having a designated chair. One of the primary concerns of the discussion included determining the role of a chair in achieving success with eventual legislation. The council wants to make sure their work is tied closely with that of the EQC and that their work is viewed as non-partisan. There was discussion about the exact role of a chair and whether it would be more administrative (helping with the agenda and between meetings) rather than exerting a great deal of personal influence over the process. There was a question about what role a chair would have in serving as a spokesperson. Above all the process the council goes through to develop recommendations needs to be viewed as credible.

The council agreed to discuss this again at the second meeting and decide the following; 1) Whether they want a chair person or not, 2) What the role of the chair will be, and 3) Who the chair would be.

Resources Available to the Council

FWP staff will be available to assist any Advisory Council member in getting any information they need. Information can be posted on the department's website. Council members should feel free to contact any of the FWP staff team at any time with questions or requests for information.

Ground Rules and Decision Making

Council members were provided with a starting point for both ground rules and decision making rules that they could edit as they wished. The proposed ground rules titled "Communication during meetings" were acceptable to the council with two additions, "Do not interrupt the speaker", and "It's OK to ask questions if you don't understand."

The decision making process as proposed was modified to clarify that when consensus cannot be reached a vote can be taken. A simple majority of those present in person will carry the decision. No proxies will be allowed. All other language in the proposed decision making description will be retained. FWP staff will make the above edits to this document and provide new clean copies at the next meeting.

The council also agreed that if there was a loss of one or more members of the council, that person would not be replaced. It would be too difficult and disruptive for a new member to enter the process later on.

Internal and External Communications

All council meetings and communications with the department and each other about the council's business should be considered public information. If/when council members receive input from the public between meetings they should feel free to share that either between meetings or bring the input to the next meeting and offer it when that particular subject is being discussed. There will be a time identified at each meeting when the public can offer comments to the council. This time will be noted on the meeting agenda and posted on the department's website ahead of each meeting.

As per the proposed ground rules, council members are encouraged to contact and communicate with each other as they deem appropriate.

Meeting Schedule, Locations, and Travel Reimbursement

After brief discussion the council agreed that it would be appropriate to hold their meetings in Helena. Department staff believes that the council will need to meet once a month from now until March 2014 in order to accomplish the work in their charge. The following dates were selected for meetings through

the end of the calendar year, September 3, October 18, November 5, and December 11. The September meeting will begin at 0900 and be held at Montana Wild. Logistics for meetings after September will be firmed up by the September meeting.

Each council member had a travel reimbursement form in their notebooks. These should be turned in before leaving the meeting if possible. The only receipt needed is for hotel. The department is limited to reimbursing the state hotel rate. They will reserve a block of rooms at state rate (most likely at the Comfort Inn and Suites) for future meetings and the council members may choose to stay here or another place if they prefer. Information on the block of rooms will be sent out to council members.

Public Comment

The council's agenda included a time slot for public comment at noon on day two. No members of the public were present during this time and no public comment was received.

Montana Deer and Elk Hunting Population

FWP's Justin Gude presented trend information about Montana's hunting population based upon the data in the Automated License System (ALS.) The ALS was implemented in 2002 and the department began using that information to look at trends in 2006. The first ten years of information—the period 2002-2011 has been analyzed for trends in the hunting population and factors influencing hunters. The hunter population is larger than those purchasing licenses. From the ALS data they have learned that many hunters do not purchase licenses every year—about one third of hunters in Montana do not purchase a license every year. There were about 490,000 resident and non-resident deer and elk hunters in Montana during the study period.

The researchers applied techniques used in modeling game populations to analyze the hunting population. These techniques included looking at recruitment, retention, mark and recapture, plus analyzing demographics including birth cohorts. Some of the results of the work were that there were more non-resident than resident recruits, there were more new younger rather than older recruits, there were more women than men new recruits, and there are fewer new hunters when license prices increase. The average retention and recruitment growth rate for hunters based on the last ten years was relatively stable--declining by only .04% per year. When they looked at a shorter more recent period of three years, the growth rate was a decline of 2.5% per year.

Hunter retention is more influential than hunter recruitment. Maintaining a stable hunter population would require either a 9% retention rate or a 200% increase in recruitment. The hunter population mirrors the general population and hunter participation declines with an individual's age. Justin explained that the hope for the future of the hunting population in Montana rests on two things, a birth pulse already in evidence and targeted recruitment and retention. Justin's presentation was provided as a handout and will be posted on the department's website.

Overview of Current Fiscal Situation (Funding Model, Health of Fish and Wildlife Management)

FWP Finance Chief, Susan Daly, explained that the legislature passes the laws and FWP implements those laws. FWP's funding is unique among the state agencies in that it receives no general fund appropriation (with the exception of some funds to address aquatic invasive species from the last session.) The department's funding is similar to that of a business. The department offers a product for sale. In addition to the license revenue, the department also receives federal funds as a result of the Pittman-Robertson (PR) and Dingle-Johnson (DJ) Acts. This federal legislation has been in place for approximately 75 years. PR and DJ provide for the collection of a federal excise tax on guns and ammunition (PR) and fishing equipment (DJ.) These taxes are then returned to states that meet the eligibility criteria. To be eligible for these funds states must have passed legislation that protects license revenue from being used for other purposes than fish and game management. Montana has such a statute and receives this money. None of this money can be spent on Parks.

FWP has a general license account. This funds general operations of the department and also a number of programs where funds are earmarked by legislation. This is the fund over which the Director has some spending discretion.

Sue explained the 10-year funding cycle. Looking at this 10-year model is one of the important charges for the Advisory Council. The department has operated based on a 10-year funding cycle that is considered "structurally imbalanced" for about the last 50 years. For the first half of the 10-year cycle FWP collects more in revenue than it spends. 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. The department is now in the second half of the decade and revenues are no longer equal to expenditures. One result of operating on this cycle is that it can make the department look fiscally irresponsible during the second half of the decade to legislators or the public that do not understand it.

Sue explained that there is a "red zone" which is the minimum balance that the department needs to maintain for operations. She projected three different budget trend lines (based on different assumptions) showing at what point in the future the budget would reach or dip below this red zone. Circumstances that are affecting the budget trend include the amount of PR funds, cost cutting, and revenue from license sales. Director Hagener has implemented cost cutting measures that are saving the department approximately \$1.2 million/year. There is now more PR funding coming to the department (about \$2 million) with the increase in sales of guns and ammunition. Some of this PR funding is now being used in place of money from the general licensing account. And, HB401 which established a non-refundable application fee for certain species is generating an additional \$1.25 million annually for the department. FWP's budget projections show that it remains above the red zone until 2015.

FWP goes to the legislature every two years for approval of their budget. In 2015 they will be asking for approval of the 2016-17 budget. The dynamics of the funding picture include how long increased PR funds will be coming in (could be affected by gun and ammunition purchasing patterns and the federal sequestration) and the timing of legislative action. The timing of legislation is key because it determines at what point additional revenues could come to the department. Legislative action during the 2015 session will be important for the 2016-17 budget.

Revenue from the sale of hunting licenses can and does fluctuate from year to year. There is a statutory cap on the number of non-resident big game permits at 17,000. For the first time ever in 2008 FWP did not sell all of these permits. There were many factors that likely contributed to this including the poor economy, population declines (e.g. antelope in eastern Montana), and weather. The last license fee increase did not produce more revenue. Non-resident license sales are very important to the department because they account for approximately 2/3 of the general license account funds. Now that the supply of non-resident licenses exceeds the demand, the department has a new challenge to market the non-resident licenses. The department cannot change this license price.

How did we get to the current situation? I-161 was a citizen initiative that changed the non-resident big game license structure from two tiers to one. General non-resident licenses and outfitter-guaranteed licenses had been priced differently and now are the same price in one draw pool. HB607 was the legislative response to I-161. HB607 added an option and changed amounts contributed to an earmark. The department anticipated that HB607 would generate additional revenue. The result was that licenses didn't sell so there was no additional revenue and funds available for the block management program decreased. In past years, the department's funding situation was predictable. In recent years it has become more difficult to predict. Sue believes that areas of opportunity for the Advisory Council include the licensing structure, the department's funding cycle, and pricing.

FWP Earmarks and Free Licenses

FWP's Hank Worsech provided a handout with statistics on the sales of non-resident combination licenses sold from 1996 to 2013 including the demand and success rates. Hank explained that the number of licenses sold fluctuates from year to year. The number is based on the legislature, the game populations, the management situation, and other factors such as the economy. There are "implied privilege" licenses. These are licenses that are free with the purchase of a conservation license, for example licenses for youth and seniors. There are many variables that explain the current situation. The department has also had a liberal policy on allowing people to return licenses and then re-sell them. Some of the special license categories have only a few purchasers in a year. Some reduced price licenses have earmarks for the revenue. Coming Home to Hunt is an example of this. There are 500 guaranteed licenses and very few are sold. The funds from these licenses are earmarked for access to Forest Service and Bureau of Land Management lands, and law enforcement. Hank provided several handouts in the notebook for the council members to review prior to the next meeting. The council will look in depth at the free and reduced price licenses in September.

Key Messages and Talking Points

The department believes it will be helpful to the process for the council members to give consistent messages about their work. To facilitate that, there will be a short time period near the end of each meeting where council members can identify the most important messages to convey from that particular meeting. Ron Aasheim, Administrator of the Conservation Education Division, encouraged the council members to speak directly with the media as they feel comfortable. The council members will have credibility with the public and there is nothing to hide. Council members can call upon staff if they need additional information or clarification. The talking points from this meetings are as follows;

- 1) The work of the Advisory Council is coordinated with that of the Environmental Quality Council which is working on the same issue.
- 2) The Advisory Council is non-partisan and made up of diverse representation from across the state.
- 3) The charge of the council is to deliver recommendations to FWP's Director on license structure, funding cycle, and pricing. (refer to the purpose statement from the Director or the website)
- 4) The public is welcome to participate in the process which is open and transparent. Future meeting dates and locations will be publicized ahead of the meetings.

Meeting Evaluation

Council members appreciated the communications from staff, reference materials, and handouts. The team approach worked well. Integration with EQC process is good.

For future meetings, it would be good to provide handouts prior to the meetings (these could be posted on the website letting council members know if they wanted to download them), start making decisions at each meeting to build the eventual recommendations/product(s), provide opportunities for discussions during the breaks, and get the agendas out to the council members at least one week ahead of each meeting. Power point presentations will be posted to the department's website and copies will be handed out to council members at each meeting.

Adjourn

Paul Sihler again thanked the council members for their willingness to serve and their attendance at this first council meeting.