Frequently Asked Questions

Wildlife Budget

June 2016

Question 1: What is the financial challenge facing Parks and Wildlife (CPW)?

Any agency (or individual for that matter) that is dependent upon a largely fixed income will ultimately experience a budgetary squeeze as the average cost for goods and services increases over time. In addition to the predicted overall reduction in spending power of our annual income dollar, CPW has experienced declines in hunting and fishing participation. Furthermore, CPW's public commitment to manage elk populations to objective in 2008 resulted in reduced license numbers and related income. CPW chose to prioritize elk management above revenue generation.

Approximately one-third of the state parks operating budget was derived from the General Fund prior to 2010. The Colorado legislature eliminated General Fund revenue (state tax dollars) that was helping to support the state park system in 2010. That unforeseen event required immediate reductions in park expenditures and increases in user fees (e.g., reducing permanent staff by 5%, reducing the temporary/seasonal work force by 10%, closing a state park [Bonny], and raising park entrance pass and camping fees).

Question 2: Why didn't CPW anticipate this situation?

We actually did foresee the wildlife budget situation. In fact, many sportsmen noted during the 2005 legislative session (the most recent resident license fee increase) that the agency and sportsmen should not wait another 10 years to consider additional fee increases. Both the former Division of Wildlife (DOW) and the former Division of Parks and Outdoor Recreation (State Parks) have been addressing separate budget challenges over the past decade.

To provide more detail on wildlife funding, the loss of spending power created by increasing costs and fixed resident license fees was expected, but the 2008 recession and the reduction of elk cow license numbers accelerated the anticipated imbalance between revenues and expenditures. Historically, hunting and fishing license fees were raised every 7-10 years.

Question 3: Why aren't CPW's revenues keeping up with your costs?

The simplest answer is that our revenues are essentially fixed while our routine operating costs continue to rise.

CPW's revenue model is primarily dependent on user fees, not tax dollars, to support programs and operations. User fees were increased several years ago, but basic operational costs have continued to rise just as they do for all households or businesses. It has been six years since Parks fees have been increased, and more than 10 years since resident wildlife license fees have gone up (fortunately for our revenue situation, non-resident license fees have kept pace with inflation). During that time, inflation has resulted in higher costs for things like leases (e.g., water for fish and fishing; public access, etc.), utilities, rent, hatchery maintenance, law enforcement equipment, fuel, etc. The dollar has effectively lost 22% of its value since the last increase because of inflation (2005-2015). Additionally, personnel costs continue to creep up and there have been some major investments out of CPW's control such as information technology and new statewide accounting systems.

On top of the general increase in CPW's costs, CPW also faces a growing number of required expenses that could add up to more than $130 million in additional costs in the coming years. Examples include essential dam repair, keeping fish hatcheries functional, mitigating environmental damage at Chatfield, shooting ranges, implementing the Mule Deer Strategy and ensuring our law enforcement officers have working radios.

The combination of the diminishing purchasing power of our fee revenue and the growing set of expenses to operate our agency make our financial situation very precarious.

Question 4: How did the Division of Wildlife approach the chronic challenge of inflation eating into spending power?

In the first few years following an increase in resident license fees, wildlife cash reserves rose. In later years, as inflation and rising costs pushed expenses above revenues, reserve funds were drawn down to the minimum level established by the Commission. As the reserve reached low levels, license fees were again raised, and the cycle was repeated. That has been the basic approach used to fund wildlife operations for decades and it has often been used by wildlife agencies across the country (note the 2015 Montana situation).

It is important to take into account the many moving parts in CPW's annual budget, factors that cumulatively affect the ebb and flow of the funding cycle. Inflation may be higher or lower than predicted. Expenses which are prominent in wildlife program operating costs -- gasoline or fish food for example – may rise or fall at different rates than overall inflation. Development pressures may increase calls for habitat protection and public access expenses at a faster pace than the CPI measure. New wildlife challenges – whirling disease, chronic wasting disease, invasive species and mule deer declines for example – can impose sudden new costs. CPW's share of overall state programs and initiatives are also beyond the control of the agency. During the past 7 years or so, CPW instituted a number of efficiencies to offset declines in revenue, followed by significant reductions in programs and operating expenses.

Question 5: If the agencies predicted this situation, why didn't they act sooner?

Both agencies started addressing this situation several years ago. The wildlife budgets have cut more than $40 million in expenditures and defunded approximately 50 positions since 2009. CPW is also limited in what it can do to remedy this problem. Currently, license fees are set by the Colorado General Assembly and not the Parks and Wildlife Commission, leaving budget cuts and program elimination as the only tools available to balance the budget.

Question 6: So it isn't true that the wildlife budget was healthy prior to the 2011 merger and was used to "bail out" State Parks?

The financial difficulties faced by the wildlife side of the agency preceded, and were in no way a result of, the CPW merger.

- DOW faced financial challenges dating back at least to 2009. Following record revenue earnings in 2006 and 2007, the DOW faced steep declines in revenue as a result of the 2008 recession and a concurrent reduction in cow elk licenses as herd objectives were reached. Because Colorado's wildlife funding model is so dependent on sportsmen, and particularly out of state elk hunters, revenue declines were dramatic in 2008 and 2009. To address this revenue shortfall, DOW cut over $27 million in expenditures and approximately 20 positions between 2009 and 2011, prior to the merger.

- The perception that the merger caused the wildlife financial situation may be at least partially due to the coincidental timing of the merger in 2011 and the announcement earlier that year that the wildlife cash reserve had dropped below the level required by Wildlife Commission policy, and that this had not been reported to the Commission. However, these were completely coincidental and unrelated. The revenue challenges faced by DOW actually began in 2008.

- While State Parks did have some financial challenges prior to the merger, State Parks addressed its major revenue shortfall before the merger with DOW occurred.

- In short, the merger did not result in any of the current CPW budget difficulties, and it did not accelerate the current financial situation. In fact, savings gained through efficiencies of the merged agency allowed the agency to reduce some of the impact of impending budget shortfalls.

Question 7: Is it true that funds from wildlife licenses can be used to fund state parks?

No. Even though the agencies have merged, the funds are still separate (as required by state and federal law). The merger allowed the new agency to capture some efficiencies through sharing resources like accounting and marketing and positioned CPW to connect with the public as a single organization. The merger did not change the fact that there are very specific federal and state laws that require wildlife funds to be spent for wildlife purposes and parks funds to be spent for park purposes.

At the time of the merger, some stakeholders expressed concerns that the merger would be a "bailout of the Parks system using wildlife funds." However, even under a merged agency, wildlife funds – which include hunting and fishing license fees and related federal funds -- can only be used for wildlife purposes. And parks fees can only be used for parks purposes. Agency funds are carefully tracked, accounted for, and kept separate from each other. Similar separations exist and are strictly enforced at other merged state wildlife and parks agencies around the country. In addition, the Inspector General's Office of the U.S. Department of the Interior conducts regular audits of all state wildlife agencies to assure license revenue and federal funds are spent in accordance with federal and state restrictions. The Federal laws that provide a funding match to state hunting and fishing licenses prohibit the diversion of license fees paid by hunters for any other purpose than the administration of the State fish and game department. Lottery and GOCO funds are similarly restricted, but with different requirements. Ten percent of all lottery proceeds fund Colorado's 42 state parks for trail construction and maintenance, land acquisition, equipment purchases, facility construction and maintenance of state park facilities. GOCO receives an additional 50% of lottery proceeds (up to a cap defined by 1992 values and inflation) which are split into four focus areas. CPW receives approximately half of GOCO funds to preserve, protect, enhance and manage the state's wildlife, park, river, trail and open space heritage.

Question 8: Just prior to the merger, there was a $32 million error in projecting the size of the wildlife cash fund reserve in future years; how do we know that money didn't get transferred to Parks?

In 2011, DOW realized it did not account for $32 million of expenditures when it predicted the size of the wildlife cash reserve for the next five years. Therefore, the projected reserve was overstated by $32 million. Furthermore, DOW had not been reporting the status of the actual reserve in a manner consistent with the Wildlife Commission's policy on reserves. This allowed the deteriorating financial condition of the wildlife cash fund to go unnoticed for a time. There was no error in accounting for expenditures and no wildlife funds were transferred to Parks or used for park purposes.

Question 9: So the old DOW did not misspend $32 million?

That is correct. Planned expenditures were eliminated or reduced in light of the revised reserve forecast. Both a federal audit and a review by the State Auditor confirmed that there was no wrongful use of wildlife funds. All expenditures were properly authorized and accounted for and went to appropriate wildlife purposes, not inappropriate uses such as state park expenses.

Question 10: As a state agency, aren't you required to have a balanced budget and not deficit spend?

CPW is not required to balance its budget on an annual basis. The bulk of CPW's expenditures are authorized annually by the legislature. User fees are the primary source of revenue for CPW and revenue from user fees must be sufficient to cover the agency's expenses over time. In some years (especially following a fee increase), revenues may exceed expenses and when that happens, CPW retains the excess in the form of reserves. When revenues are less than expenses, the reserve must be used to cover the difference. CPW cannot expend more than the revenues it earns plus the balance in the reserve. At the end of FY 06-07, the reserves in the wildlife cash fund totaled $42.6 million. In each of the next six years, expenses exceeded revenues and the reserve was drawn to $10.9 million.

CPW is an "enterprise agency" that typically operates on very little General Fund (state taxpayer) dollars. As an 'enterprise' agency, CPW can receive no more than 10% of its funding from the General Fund. CPW receives much less than that from General Fund, with less than 0.5% of our annual budget in FY14-15 coming from state taxpayer dollars and 0% in most years.

Question 11: Don't Colorado taxpayers already pay for the majority of CPW?

In most years, CPW receives no general tax funding, so the average Coloradan does not directly contribute to CPW's operations through taxes. CPW is primarily funded through customers who purchase fishing or hunting licenses, parks passes or recreational vehicle registrations. Colorado residents are a key part of the financial support that CPW receives. Colorado residents make up the majority of state park visitors, hunters and anglers in the state. However, non-residents hunters are paying an increasing share of wildlife funding in order to take advantage of the great big game opportunities in Colorado. In particular, non-resident elk tags are a significant part of the wildlife cash budget. Nonresident big game license fees are adjusted each year by the Consumer Price Index (CPI), per statute. Resident fees are not indexed to the CPI. It should be noted that since 2001, the price of a resident elk tag has been less than 10% of the cost of a non-resident elk tag (either-sex or bull tags).

Question 12: When were license fees last increased?

The last increases in resident hunting and fishing license fees were approved by the Colorado General Assembly in 2005 -- a decade ago -- taking effect in 2006. Non-resident big game license fees are adjusted annually by the Parks and Wildlife Commission based on the Denver-Boulder Consumer Price Index (CPI), so they see smaller, but more frequent changes in price.

Question 13: What steps has CPW taken to try to increase revenue?

In addition to reducing expenditures, CPW actively assessed areas where it could quickly increase revenues, focused on existing Commission authority. The Commission has increased the price for non-resident cow elk licenses (reflecting successes in meeting herd objectives), changed non-resident big game licenses to market Colorado's angling opportunities (which will also raise federal funding for sportfish programs), increased the pay-to-play (preference point) fees, revised refund policies and increased flexibility for park managers to lower park camping fees to reflect market demand. In addition, a sportsmen's initiative to create a new sportsmen's license plate to increase funding for angling and shooting range projects launched in 2016.

Question 14: Could CPW be granted the authority to set fees? What would be the advantages of doing that?

Authority to set fees could be given to the Parks and Wildlife Commission, not to CPW directly. The Commission currently has the authority to set park fees in this manner.

There are a number of advantages to moving fee decisions to the Commission level. First and most importantly, the Commission meets 8-10 times per year to discuss parks and wildlife related issues. They can respond quickly to market conditions and customer demands by reviewing and adjusting fees to ensure better customer service. Commissioners are also intimately familiar with the programs and operations of the agency and are very commonly customers of the agency; they are well positioned to make informed business decisions and can easily be held accountable by the public. Commissioners are also geographically diverse with the requirement that at least 4 voting members living west of the continental divide.

As an "enterprise agency" CPW is responsible for ensuring that the organization be sustainable, yet it does not currently have the ability to increase revenues without passage of a bill in the General Assembly. This restriction means that CPW must cut programs to balance its budget when revenues collected fall behind the cost of doing business.

Question 15: Who keeps tabs on CPW's budget?

CPW follows the same budget process as other state agencies. A budget proposal is developed by the agency, submitted to the Executive Director of the Department of Natural Resources for review and approval, then submitted to the Office of State Planning and Budgeting (OSPB) in the Governor's Office. The ultimate budget request is included in the Governor's statewide proposal to the General Assembly's Joint Budget Committee (JBC). Committee budget analysts and members scrutinize the request and it is the subject of at least three JBC hearings (two reviewing the DNR request and one setting the final funding recommendations). A joint hearing of the JBC with the House and Senate Agriculture and Natural Resources Committee is also part of the review process.

The JBC funding recommendations are included in the annual "Long Bill" which authorizes budgets for state agencies. The Long Bill is voted on, and can be amended by, both the House and Senate before being sent to the Governor for signature into law.

The budget request is available to the public starting with the Governor's submission to the Joint Budget Committee. Any changes to the request are also publicly available through the JBC or the General Assembly website.

Once the budget request is approved, further reviews of CPW spending include annual statewide financial audits, oversight by the Legislative Audit Committee, and periodic U.S. Department of the Interior audits of federal Wildlife and Sportfish Restoration Program funds.

Question 16: What programs have been cut resulting from decreased revenue or increased costs?

In November 2013, the Parks and Wildlife Commission approved a plan to cut wildlife funding by $10 million (an outline of the reductions can be found on the Commission Website[1]). Some examples of the cuts were:

- $1.85 million to Fishing Is Fun, Wetlands, Boating and Habitat Protection grants;
- $1 million in Aquatic Nuisance Species (ANS) program funding;

[1] Direct link: http://cpw.state.co.us/Documents/Commission/2013/Nov/ITEM%2030-Nov2013PWCMtg-BudgetReductionAlternatives.pdf.

- $1 million in capital improvement projects;
- Big Game Access Program (BGAP) eliminated on the eastern plains

The $10 million in cuts are in addition to cuts of $27 million in wildlife programs in 2009-2011 and additional spending reductions from 2012-2014.

Question 17: What wildlife programs have dedicated funding sources?

Four discrete programs that have specific fees to support them are:

<u>Habitat Stamp</u> – Initiated in 2006, the program is funded through a $10 habitat stamp required for initial license purchase. Program priorities include big game winter range and migration corridors, public access for wildlife recreation including fishing, hunting and wildlife viewing, protecting habitat for species of concern, and preserving wildlife diversity. Funding can be used for easements, fee title acquisitions and operation and maintenance of properties acquired with Habitat Stamp funds.

<u>Duck Stamp</u> – The Colorado Waterfowl Stamp Program, established in 1989, is designed to conserve wetlands for waterfowl and water birds. All waterfowl hunters are required to purchase a $5 stamp. Revenue generated from the sale of the stamp (more than $6.7 million to date) is used to fund wetlands projects throughout the state.

<u>Search and Rescue</u> – In 1987, the Search and Rescue fund (SAR) was created to reimburse local governments and search and rescue organizations for the costs incurred in conducting search and rescue operations; and provide funding for the purchase of search and rescue related equipment. Funding for the program is generated through a $.25 surcharge on hunting licenses, fishing licenses, boat registrations, snowmobile registrations, off-highway vehicle registrations, and by the voluntary sale of the Colorado Outdoor Recreation Search and Rescue card. CPW administers this program as a pass through entity (we cannot use those dollars). We incur costs to collect and transfer the fee, but are not compensated for that overhead administrative cost.

<u>Public Education Advisory Council (PEAC)</u> – Formally known as the Colorado Wildlife Management Public Education Advisory Council, the council created by Colorado legislature in 1998. The program is funded through a $.75 surcharge on each hunting and fishing license. By statute, the Council's mission is to oversee the design of a comprehensive public media-based program to educate the general public about the benefits of wildlife, wildlife management, and wildlife-related recreational opportunities in Colorado, specifically hunting and fishing.

None of these four programs operate "in the red", and all revenues raised through their associated fees are applied to work in conformance with state law. The funds from these four programs are restricted to their statutory use – they cannot be reallocated to solve CPW's overall budget problem.

Question 18: How do Colorado's prices compare with other state's resident and non-resident prices?

Prices for all hunting and fishing products vary substantially across the Rocky Mountain west, as do the requirements for hunting (i.e., base license, conservation license, habitat stamp, application fees). Colorado is typically in the low to middle range for most products. For example, in a five-state comparison a resident deer tag acquired through the draw is cheapest in Montana ($32) followed by Colorado ($44), Wyoming ($55.50), New Mexico ($65) and Utah ($83). A resident elk tag acquired through the draw is also cheapest in Montana ($36), followed by Colorado ($59), Wyoming ($69.50), New Mexico ($84) and Utah ($93). Resident moose licenses acquired through the draw are cheapest in Wyoming ($129.50), followed by Montana ($146), Colorado ($264) and Utah ($456). In a 10-state comparison, annual fishing licenses are cheapest in Kansas ($20.50), followed by Montana ($21), Wyoming ($24), New Mexico ($25), Idaho ($25.75), Colorado ($26), Nebraska ($28.50), Nevada ($29), Utah ($34) and Arizona ($37).

Non-resident prices in Colorado are typically in the middle to high range, but also vary by species[2]. It is important to keep license availability (e.g. over the counter licenses) and game population size in mind when comparing fee structures as well.

States across the nation have proposed to raise fees in the last few years. Many were successful, but others have not been. Michigan, New York, North Carolina, Arizona, North Dakota, Montana, Oregon, Tennessee and Utah have all successfully raised fees. Delaware and Wyoming had proposals that failed. Idaho and Washington are either developing fee proposals or have submitted them without conclusion. The increasing costs of managing wildlife are affecting states across the country.

Question 19: What has been the impact of offering a free senior fishing license since 2006?

Between 2006 and 2015, over 679,000 senior licenses have been provided for free (the $1 charge is the $.25 SAR and the $.75 PEAC fees). In fact, CPW loses money every time it issues a free senior fishing license, both in terms of all related transaction costs, but also in terms of foregone federal aid revenue. Current estimates indicate the economic loss to be approximately $15.3 million over that 10-year period. This estimate incorporates both the loss of license revenue and Dingell-Johnson (federal aid) match. The number of free senior fishing licenses issued annually is growing. In 2005, 33,468 half-price licenses were issued before the free license was instituted. During the 2015 fishing year, CPW issued 70,828 senior fishing licenses which could have generated $1.3 million in a single year[3]. This trend is expected to continue based on the aging demographics of Colorado.

[2] Disclaimer: these numbers were collected off of public fish and game websites and may not be current.
[3] Calculated based on current senior fishing license numbers and the assumption that 80% of seniors do not purchase other fishing products, 2015 data is as of 3/7/16 (e.g., extra rod stamp).