



COLORADO

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To: Members of the Colorado Parks and Wildlife Commission

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Re: Preference Point Banking Staff Recommendation and Alternatives

Introduction

In November 2022, the Parks and Wildlife Commission (the Commission) encouraged Colorado Parks and Wildlife (CPW) staff to continue looking at potential preference point changes, namely point banking and averaging group points. During the March 2023 Commission Meeting, staff presented their [recommendations](#) on these topics, which included the recommendation to not carry forward averaging group points or preference point banking for implementation. The Commission supported staff's recommendation to not move forward with averaging group points but requested staff bring back preference point banking alternatives for deer, elk, bear, and pronghorn limited licenses. This memo outlines staff's overall recommendation on preference point banking as well as two preference point banking alternatives.

If the Commission wants staff to develop additional preference point alternatives beyond point banking, staff request clarification on the objective the Commission is aiming to achieve in regards to preference points and additional time to conduct public outreach after the conclusion of the 2025-2029 Big Game Season Structure process.

What is Preference Point Banking?

Currently in Colorado, if an applicant draws a first choice license for a big game species, all preference points for that species are used, bringing the applicant's species preference point balance down to zero. In a preference point banking system, an applicant's accrued preference points can be split between multiple years' drawings by allowing the applicant to use only the number of points needed to draw a license (with or without requiring additional predefined points) and banking the remaining points for a future hunt(s) for that species.

What are the Benefits to Implementing a Preference Point Banking System?

The primary benefit of introducing a preference point banking system is to provide applicants who hold a high number of preference points with options on how they would like to expend their accrued points, either by 1) continuing to accrue preference points for their most desired license, or 2) expending their accrued preference points on multiple hunts without using up all of their accrued points at once. Implementing a preference point banking system could temporarily reduce the rate of



point creep in high-demand hunt codes, as banking may initially reduce the number of high preference point holders competing for high-demand hunt codes.

What are the Drawbacks to Implementing a Preference Point Banking System?

Looking at results from the 2021 limited license draws for deer, elk, pronghorn, and bear, 95% of nonresidents and 99% of residents were able to draw a license in Colorado with 5 or fewer preference points. In staff's opinion, these results demonstrate that the preference point system is working appropriately and that major changes are not needed, despite the current system being in place for 37 years. If implemented, point banking could disrupt a part of our draw system (the drawing of lower- and middle-point hunts) that is currently working well, and would likely only benefit a small number of applicants (i.e., the proportion of hunters who hold a high number of points for a species *and* choose to participate in point banking) out of the total applicant pool.

While CPW's current system is working effectively for lower- and middle-point license categories, concern remains regarding significant point creep among the high-point licenses. However, point banking will not solve point creep in high-point license categories, as a large number of dedicated applicants who do not choose point banking will continue to pursue high-demand hunts, continually accruing points over time. Consequently, supply and demand issues in the highest-demand hunt codes will remain unaddressed by point banking, as the number of applicants chasing high-demand hunt codes will continue to far exceed supply. Supply and demand will continue to be the primary challenge for highly sought after hunt codes into the future, regardless of what modifications are made to the preference point system.

The first few years after implementation of a preference point banking system would likely be the most impactful for clearing out some high preference point holders (who chose to take advantage of point banking) from the system. However, demand from this limited set of point-bankers would shift into lower- and middle-point hunt codes, increasing the risk of point creep in these hunt codes. Applicants with a high number of points could draw lower-point licenses every year for many years, displacing others who would have drawn those licenses. As an example, a person with 25 points could draw a 5-point hunt 4-5 years in a row, pushing out 4-5 lower-point holders who would have drawn. Those hunters who were pushed out may apply for the same hunt the next year, but they would now have an additional preference point, which could increase the number of points required to draw that same license. As a result, point banking would contribute to point creep in lower- and middle-point licenses as demand for these licenses has now increased while the number of licenses remained the same.

Setting limitations on when and how applicants could use point banking could reduce the impact that banking would have on lower- and middle-point hunt codes. These limitations could include: reducing the number of times an applicant could use banking and/or instituting a point surcharge for using point banking. However, setting this point surcharge too high could deter applicants from using their points, choosing instead to continuously accrue them, contributing to point creep in high-demand hunt codes.

Further, predictability is an essential component in big game hunt planning, and the current preference point system provides the most predictable system for drawing limited licenses. Implementing preference point banking would likely decrease predictability in the draw, as it would be difficult for applicants to predict how many points are needed to draw a particular license. This could result in higher rates of dissatisfaction among applicants than exists currently, impacting both high- and low-point holders.

What is Colorado's History with Preference Point Banking?

Colorado is the only state to ever implement a point banking system. CPW tested a preference point banking system in 2006 for one year, during which applicants had to use an additional point above what was required to draw the license, but could keep any other remaining points for that species. This point banking system was specifically listed as valid in CPW's regulations for the 2006 hunting seasons only; therefore, this system was terminated after one year. While some high-point holders benefited from this point banking system, staff would like to highlight how this preference point banking system also resulted in a large volume of complaints received from unsatisfied applicants who ended up using more points than anticipated for lower- or middle-point hunts, resulting in a lower number of banked points than expected. A hypothetical example follows to illustrate this concept:

Expectation: In 2006, a hunter with 10-points applied for a hunt code that drew out at 5-points in 2005. Under the 2006 point banking system with a 1-point surcharge, this hunter expected to use 6 points for the hunt and bank 4 points for the following year (10 points accrued - 5 point hunt code - 1 point surcharge = 4 points remaining) that they could use on additional hunt(s).

Reality: The scenario above assumed that supply and demand for the 5-point hunt code was the same in 2006 as it was in 2005. In reality, the 10-point holder referenced above was competing against multiple other high-point holders who also chose to take advantage of point banking and pursued the same 5-point hunt. Because the number of preference points required to draw a particular hunt code is determined by the current year's demand, the entire quota for the hunt code was drawn by high-point holders who used point banking. As a result, the point requirement for this 5-point hunt jumped to 9 points (i.e., these high-point holders set the demand higher than what was originally anticipated, and a point-banker using 10 points (9 points for the hunt + 1 point surcharge) set the minimum points required to draw the license). Instead of only using 6 points for this 5-point hunt and banking their remaining points as expected, all of these high-point holders had to use most or all of their points to draw a license for that hunt, leading to intense dissatisfaction at this unanticipated outcome.

It is important to note that the 2006 preference point banking system was implemented over 15 years ago, when there were fewer high-point holders and consequently less demand for high-point hunt codes. Attempting to implement point banking again when there is 1) a much larger number of high-point holders in every point cohort and 2) demand is higher than ever and increases annually, would likely lead to the same outcome of dissatisfaction on a larger scale.

2023 Hunter Outreach on Preference Point Banking

To gauge whether high-point holders (with 15 points or more) would participate in a point banking system, staff conducted a random survey of those point holders between March 27 and April 17, 2023. Out of the 2,961¹ surveys delivered to high-point holders for elk, deer, and pronghorn, staff received 1,029 surveys back, a response rate of 35%. The full survey is included as an appendix to this memo. This survey served as a quick "pulse check" to get an idea of how many high-point holders would potentially be interested in point banking if offered the opportunity, as this is the cohort of draw

¹ 3,028 total surveys distributed; 67 email addresses bounced back; 2,961 total surveys delivered to respondents.

applicants that staff consider most likely to use point banking. While the survey did not capture the opinions of any other point holder categories, CPW did evaluate a random sample of hunter attitudes on point banking in the 2022 Big Game Attitudes Survey (BGAS), explained further below.

Survey Results:

Survey respondents were fairly split between residents and nonresidents (45% residents; 55% nonresidents). When asked “If CPW were to implement a preference point banking system with a 2-point penalty² (i.e. if a license takes 5 points to draw, 7 points are deducted to draw that license), how likely are you to use point banking vs. continue to accrue points for your most desired license?” the survey results show that high preference holders are fairly split on whether or not they would take advantage of preference point banking, with roughly one-third that would use banking, one-third that would not, and one-third somewhat undecided.

	Very likely (I would like to use my points for multiple licenses)	Somewhat likely	Somewhat unlikely	Very unlikely (I would continue accruing points for my most desired license)	I do not hunt this species
Elk	31%	26%	12%	30%	1%
Deer	31%	28%	13%	26%	2%
Pronghorn	28%	24%	11%	24%	13%
Bear	21%	20%	11%	24%	24%

Staff did receive 18 emails from respondents clarifying that if a 2-point preference point surcharge was made mandatory as part of a preference point banking system, they would not use preference point banking, citing concerns over wasting points they have already paid for. Several of these respondents noted that they feel a 1-point surcharge would be fairer than a 2-point surcharge.

Preference Point Banking Staff Recommendation and Alternatives

A. Staff Recommendation: Maintain Status Quo

Staff’s recommendation is to maintain the status quo, in which no preference point banking system would be implemented.

By maintaining the status quo, we are not shifting demand from the upper-point hunt codes to the lower- and middle-point hunt codes. Essentially, by not implementing point banking, CPW is protecting the lower- and middle-point hunt codes from an increased rate of point creep and a decrease in draw predictability.

In addition, hunters are already familiar with the current preference point system, which has been in place for 37 years. By maintaining the status quo, there would be no confusion associated with a major change to the current system. However, maintaining the status quo also means continued dissatisfaction with the current system for some high-point holders. As

² Please note this terminology has been updated to surcharge in the rest of this memo.

noted above, only about one-third of high-preference point holders (hunters with 15 points or above) would participate in a preference point banking system. Additionally, according to the 2022 BGAS (which included a random sample of all hunters), when asked to rank fairness between various methods (preference points, weighted points, banking, random draw, hybrid draw) to distribute licenses in units where demand is higher than the number of licenses available, preference point banking and a totally random draw system were identified as the least fair options by both resident and nonresident survey respondents. Staff consider the BGAS, which is conducted every 5-10 years, our most robust data set that is most indicative of all big game hunter attitudes in Colorado, including at all preference point levels.

Additionally, modifying the draws to benefit only 5% of our big game hunting customers, at the expense of predictability, opportunity, and simplicity for the other 95%, is not recommended. For example, for elk applicants who applied over the last five years, there was an average of 13,367 applicants with 15 or more preference points, only about 5% of the total annual Elk applications. Even if one-third of these high-point holders used a point banking system, there would still be approximately 9,000 high-point holders pursuing less than 1% of our elk licenses.

The Division and prior Wildlife Commission already experienced extreme customer dissatisfaction when a point banking system was implemented in the past, providing insightful lessons for what could happen if point banking were to be implemented again. However, if the Commission is not satisfied with a status quo decision and would like to implement some type of a preference point banking system again, staff have developed two possible preference point banking systems to consider, outlined below.

B. Alternative 1: Implement a Simple Preference Point Banking System

Under this alternative, staff would implement a simple preference point banking system, in which hunters would apply for a hunt code that requires fewer points than they have accrued and bank the difference for future years. Staff recommend a 2-point surcharge for applicants who take advantage of point banking, as implementing point banking without a surcharge would strongly incentivize high-point holders to expend their points on lower-demand hunts, resulting in accelerated point creep in lower- and middle-point licenses. Due to point creep in recent years and increased demand for licenses, staff are recommending a higher point surcharge than the surcharge under the 2006 point banking system. Staff believe that a 2-point surcharge is a fair and appropriate standard to protect lower- and middle-point hunts from excessive inflation, as a 2-point surcharge is proportionately greater for a 5-point license than a 15-point license and therefore would be a proportionately greater surcharge for an applicant with 5 points compared to an applicant with 25 points.

As noted during the March Commission meeting presentation, incorporating a complex preference point banking system into the current online system is likely to take significant effort and time and would delay existing planned projects. A simplified preference point banking system could be in place by the 2025 hunting seasons if the Commission approves such a change by June 2023.

C. Alternative 2: Implement a Simple Preference Point Banking System with a One-time Banking Use Limitation Per Species

Under this alternative, staff would implement a simple preference point banking system similar to that outlined in Alternative 1 above with one key difference: applicants would have the opportunity to use point banking only once per species. Enforcing a one-time use of point banking would protect lower- and middle-point hunt codes more than Alternative 1. Once applicants used their one-time point banking opportunity, they would not be able to

repeatedly bank their points to draw multiple lower- and middle-point licenses, thus reducing the number of hunters they displace who are competing for those licenses. However, the drawback to this alternative is that if point banking were to be eliminated in the future and applicants have not yet had the opportunity to use point banking, this could impair hunter trust and confidence in CPW.

Under this alternative, staff recommend that there still be a required 2-point surcharge for using banked points to draw a license.

Next Steps

CPW requests that the Commission provide guidance to staff about whether or not to implement preference point banking and if so, which alternative to implement. To implement a preference point banking system for the 2025 season, the Commission must take final regulatory action during the June 2023 Commission meeting.

If the Commission chooses to make changes, the issue of fairness with switching from an established system to a new system could be minimized by allowing a transition period of one to two years (2023 - 2024). This would afford hunters the opportunity to use their points under the existing set of rules prior to the implementation of new ones.

Appendix

Preference Point Banking Survey

The Colorado Parks and Wildlife Commission is considering implementing a preference point banking system for the future drawing of deer, elk, bear and pronghorn limited licenses. As a high preference point holder in Colorado, Colorado Parks and Wildlife (CPW) would like to gauge your willingness and interest in using a preference point banking system to expend your accrued preference points.

What is a preference point banking system?

In a preference point banking system, an applicant's accrued preference points can be split between multiple years drawings by allowing the applicant to use only the number of points needed to draw a license (within predefined parameters) plus a point penalty³ and banking the remaining points for a future hunt(s). Currently in Colorado, if an applicant draws a first choice license, all preference points for that species are used, bringing the applicant's species preference point balance down to zero.

Question 1. If CPW were to implement a preference point banking system with a 2-point penalty (i.e. if a license takes 5 points to draw, 7 points are deducted to draw that license), how likely are you to use point banking vs. continue to accrue points for your most desired license?

	Very likely (I would like to use my points for multiple licenses)	Somewhat likely	Somewhat unlikely	Very unlikely (I would continue accruing points for my most desired license)	I do not hunt this species ⁴
Elk					
Deer					
Pronghorn					
Bear					

³ Please note this terminology has been updated in the main section of the memo to surcharge.

⁴ This column was added after the first few hundred responses were received to allow respondents the opportunity to opt out of choosing a response if they did not hunt a particular species. Upon review of the results, staff determined that adding this response did not significantly impact or skew the analysis, as only a very small proportion of our sample size selected "I do not hunt this species."

Question 2. Which preference point bracket do you currently fall into for each species?

	Less than 15	15 - 20	21 - 25	26 +
Elk				
Deer				
Pronghorn				
Bear				

Question 3. Are you a resident of Colorado?

Question 4. How old are you? Please write your age as a whole number.