

Long-Term Funding Plan

September 1, 2018



WDFW's role is to preserve the full array of fish and wildlife and the benefits they provide to the quality of life of all Washingtonians

Table of Contents

Executive Summary.....	1
Introduction	5
DFW’s Work.....	8
Why DFW’s Work Is Important	12
DFW’s Current Funding	16
How DFW Allocates Funding	20
The Funding Challenge	24
Findings and Recommendations	30
The Path to Sustainability	39
Appendix A: WDFW 2017-19 Operating Budget Outreach Plan	45
Appendix B: WDFW Zero-Based Budget Summary.....	48
Appendix C: Independent Analysis of Organizational Efficiencies.....	50
Appendix D: Expenditure Reduction and Funding Sources Options and Evaluations	135
Appendix E: Summary of Research into Selected State Fish and Wildlife Programs	140
Appendix F: Legislative Proviso	145
Appendix G: BPAG Membership	147
Appendix H: Letter to Commission – WDFW Budget.....	148

WDFW’s role is to preserve the full array of fish and wildlife and the benefits they provide to the quality of life of all Washingtonians.

– Kelly Susewind, Director, DFW



Executive Summary

Our fish and wildlife resources and the natural lands on which they depend are at risk. The challenge of adequately funding fish and wildlife is not unique to Washington, but it is acute here. The Department of Fish and Wildlife (DFW), the State’s main steward of fish and wildlife populations and habitat, is facing significant, chronic, structural budget shortfalls. If action is not taken, deep cuts in services across the board will be needed to balance the books. Even if funding were increased to keep services at their current level, the investment is still woefully inadequate. Nationally, the National Wildlife Federation¹ estimates that we are funding the work called for in the State Wildlife Action Plans² for species of greatest concern no more than 5 percent of need. In Washington, DFW estimates the funding is less than 5 percent. Salmon and steelhead recovery is lagging behind what is desired, and Southern Resident Killer Whales face extinction if diminishing population trends cannot be reversed.

DFW’s mission – to preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities – remains vital and is increasingly important to supporting economic prosperity, promoting public health, and ensuring a high quality of life for all Washingtonians, regardless of whether they ever hunt, fish, or visit a wildlife area. **We need a fish and wildlife agency that can better serve the broad need to conserve native species and their habitats to benefit all Washingtonians, including those who hunt, fish, camp, wildlife watch, or simply enjoy the proximity of nature.**

¹ National Wildlife Federation. (n.d.). Recovering America's Wildlife Act | National Wildlife Federation. Retrieved from <https://www.nwf.org/Our-Work/Wildlife-Conservation/Policy/Recovering-Americas-Wildlife-Act>

² *Washington's State Wildlife Action Plan* (Vol. 2015 Update, Rep.). (2015). WA: Washington Department of Fish and Wildlife. <https://WDFW.wa.gov/conservation/cwcs/>

FUNDING RECOMMENDATIONS

1. Increase the amount and stability of funding.
2. Most funding should come from a broad-based source such as the general fund.
3. Revenue from licenses and fees should supplement broad-based funding.
4. Improve products and update fees for hunters and anglers.
5. Improve products and update access fees for recreational users.
6. Ensure stability and predictability of hunting and fishing license costs and other fees.
7. Ensure federal partners pay their fair share.

Investment in fish and wildlife not only helps ensure a high-quality of life by providing health and recreation benefits, and contributing to a good business and employment climate, it also directly increases state revenue. The Washington Department of Revenue estimates that hunting, fishing, and wildlife watching will contribute nearly \$340 million dollars to the State General Fund in the 2017-19 biennium through sales tax and business and occupation taxes.³ This revenue is three and a half times the amount of general fund appropriated to DFW. Spending on hunting, fishing, and wildlife watching flow through local economies to improve livelihoods for real people and small businesses throughout the state, creating additional economic benefit. We sustain these economic benefits by investing in the work needed to sustain healthy fish and wildlife populations and natural lands, and create opportunities for people to be out in nature.

In 2017, the Legislature directed DFW to develop a plan for long-term funding. The immediate need was to address significant, chronic, structural budget shortfalls in DFW. Looking to the future, a long-term funding plan also is needed as part of a package of improvements to meet the evolving challenges of conservation. Washington State is one of the smallest western states by geography, yet its population and economy are growing at rates among the highest in the country. Hunting and fishing, long a source of revenue for DFW through license fees and federal funding tied to these activities, are declining, while other uses of public lands are increasing. Reliable, adequate funding – and new partnerships and new strategies – are needed if we are to pass our fish and wildlife resources, and the health and economic benefits they create, on to future generations.

DFW’s funding simply has not kept pace with its responsibilities. DFW’s general fund appropriation is less now than it was in 2008, even though costs of everything from staff salaries to fish food for hatcheries have gone up. Hunting and recreational fishing license fees have not increased since 2011 and the Discover Pass access fee has not increased since it was established. DFW is under-resourced and overburdened with emerging, unfunded mandates. This feeds a vicious cycle of constituents feeling underserved.

Cost cutting and tightening belts won’t solve the problem. At the direction of the legislature, and working with the Office of Financial Management, DFW underwent an independent third-party assessment of their operations and management practices [[link](#)]. This assessment did not reveal any major cost savings to be found from improving efficiency within DFW. Most of the recommendations in the report – on improving technology for example – will cost more money to implement.

DFW is facing a budget shortfall of more than \$30 million in 2019-21 biennium and estimates that an additional \$28 million is needed to make important progress in areas like conserving species before they become threatened and endangered and improving opportunity for hunting and fishing. DFW has used a number of strategies such as maintaining vacancies and spending down fund balances to bridge budget shortfalls in the past but these options have run out, meaning there will be real service cuts if new funding is not obtained.

³ Washington Department of Revenue. (2017) DOR GFS Estimate

ADDITIONAL RECOMMENDATIONS

8. Implementing Recommendations from the Organization Efficiencies Report.
9. Streamlining Shared Responsibilities and Administrative Requirements.
10. Complete Strategic Planning.
11. Improve Public Engagement.
12. Develop a Sustainable and Long-Range Vision for State Lands.

We're at a tipping point in terms of our investments in fish and wildlife – many stakeholders already feel underserved and we're at risk of real program cuts and real impacts to species if funding is not increased and stabilized.

DFW prepared this plan with a group of stakeholders representing fish, wildlife, recreation, land management, and conservation interests. Seven recommendations are made to address sustainable long-term funding. (See box at left.) At the center is the idea that most funding for fish and wildlife should come from broad-based sources of revenue because the health, wellbeing, and economic benefits of fish, wildlife, and natural lands are broadly felt by all Washingtonians, and because the protection of fish and wildlife resources is held by the state as a public trust and responsibility under tribal treaties. Hunting and fishing licenses and other recreation or access fees should supplement – not replace – broad based funding. This is a transformative concept – appropriate to the need to make real changes to ensure healthy fish and wildlife resources for all Washingtonians, for years to come.

Additional recommendations address continuous improvement, stakeholder and public engagement, and strategic planning as ways to improve Department services, increase the transparency of funding decisions, and foster an environment of support for adequate fish and wildlife funding.

Although the challenges to fish and wildlife conservation are significant, they can and must be met. Other states have already acted in this area – including four states (Arkansas, Iowa, Minnesota, and Missouri) which dedicate a portion of sales tax to conservation and eight states which dedicate real estate or other taxes (Arkansas, Colorado, Florida, Maryland, New Jersey, Tennessee, Vermont, and Virginia). Five states authorize bonds for investment in conservation and recreation including California which just passed a \$4.1 billion bond measure focused on natural resource conservation and resiliency, parks and recreation, flood protection, groundwater recharge and cleanup, safe drinking water, and water recycling. Lessons from these states can help us find our way.

Stakeholders, exemplified by the Budget and Policy Advisory Group, are coming together to support new partnerships, better strategies, and more, and more reliable, investment in fish and wildlife. Now is the time for leadership at DFW, in the Fish and Wildlife Commission, and in the Legislature to embrace this convergence and take action.

This plan is a first step. It lays out the problem, sets a vision for sustainable long-term funding, and provides a set of ideas to get started. More work is needed to bring those ideas to fruition.

In 2019 DFW will propose a package of budget and legislative proposals totaling approximately \$67 million designed to maintain current services and make a down payment on the investment needed to get fish and wildlife conservation on a sustainable path. It will ask for funding mainly from broad-based sources of revenue and secondarily from a modest increase in licenses and fees. Simultaneously DFW will engage in a visioning and strategic planning effort with the Budget and Policy Advisory Group to inform and bolster future funding decisions and priorities.



COMMERCIAL FISHING ON WASHINGTON'S COAST

“In a commercial fishing family your livelihood depends on salmon, crab, and albacore tuna. In Westport and other communities along the coast, this is not just about having some fun out on the water. It’s not our hobby. Our businesses and our income depend on DFW’s ability to manage resources for our communities’ future.”

— Greg Mueller, Washington Trollers Association Executive Director

Commercial fishers make a living in one of the toughest jobs there is in terms of physical safety, financial security and environmental challenges. The importance of fisheries is central to the existence of Washington’s coastal cities and people in coastal towns. Whether you dunk your Washington-sourced crab in a vat of butter, enjoy your local salmon at a restaurant, or buy Washington sourced local shellfish, you are helping Washington commercial fishers support our state’s cultural and economic vibrancy. DFW’s management, regulatory and enforcement work is supported by the State’s General Fund, federal funding sources, and NOAA joint enforcement agreements, among other sources.

Introduction

SUSTAINABLE, LONG-TERM FUNDING IS NEEDED TO PROTECT FISH, WILDLIFE, AND THE NATURAL LANDS ON WHICH THEY DEPEND AND TO SECURE THE BENEFITS OF HEALTHY FISH AND WILDLIFE FOR CURRENT AND FUTURE GENERATIONS.



This report describes a new path to long-term funding for the Washington Department of Fish and Wildlife (DFW).

In the most immediate sense, a new funding path is needed because DFW suffers from a budget shortfall that has been worsening over recent funding cycles and threatens DFW's ability to deliver the services Washington residents need and desire. This deficit comes mainly from increases in responsibilities such as requirements for marking and monitoring hatchery salmon, and from increases in personnel and operating costs (e.g., cost of living increases) that were not supported by commensurate revenue increases. **In short – funding for fish and wildlife whether through the State General Fund, through license and fee revenue, or through federal funding simply is not keeping up with DFW's responsibilities.**

In the broader sense, a new funding path also is needed as part of a package of improvements to meet the evolving challenges of conservation. Washington State is one of the smallest western states by geography, yet its population and economy are growing at rates among the highest in the country. The state's natural beauty and abundant populations of native fish and wildlife are at the core of our prosperity, yet rapid growth can threaten their very existence. As in other states, traditional sources of revenue from hunting and fishing licenses are declining, while use of natural lands by other group is increasing. Other challenges are more unique to Washington - we operate the largest hatchery system in the nation, have some of the most significant endangered species challenges in salmon, steelhead, and Southern Resident Killer Whales, and are responsible for fulfillment of treaty obligations to 29 Native American tribes.

In a 2017 budget proviso (SSB 5883, Sec. 307), the state Legislature directed DFW to improve DFW's long-term financial stability and operational efficiency and to develop a long-term plan to balance projected expenses and revenues and improve the efficiency and effectiveness of DFW operations by providing prioritized options for spending reductions and revenue increases.



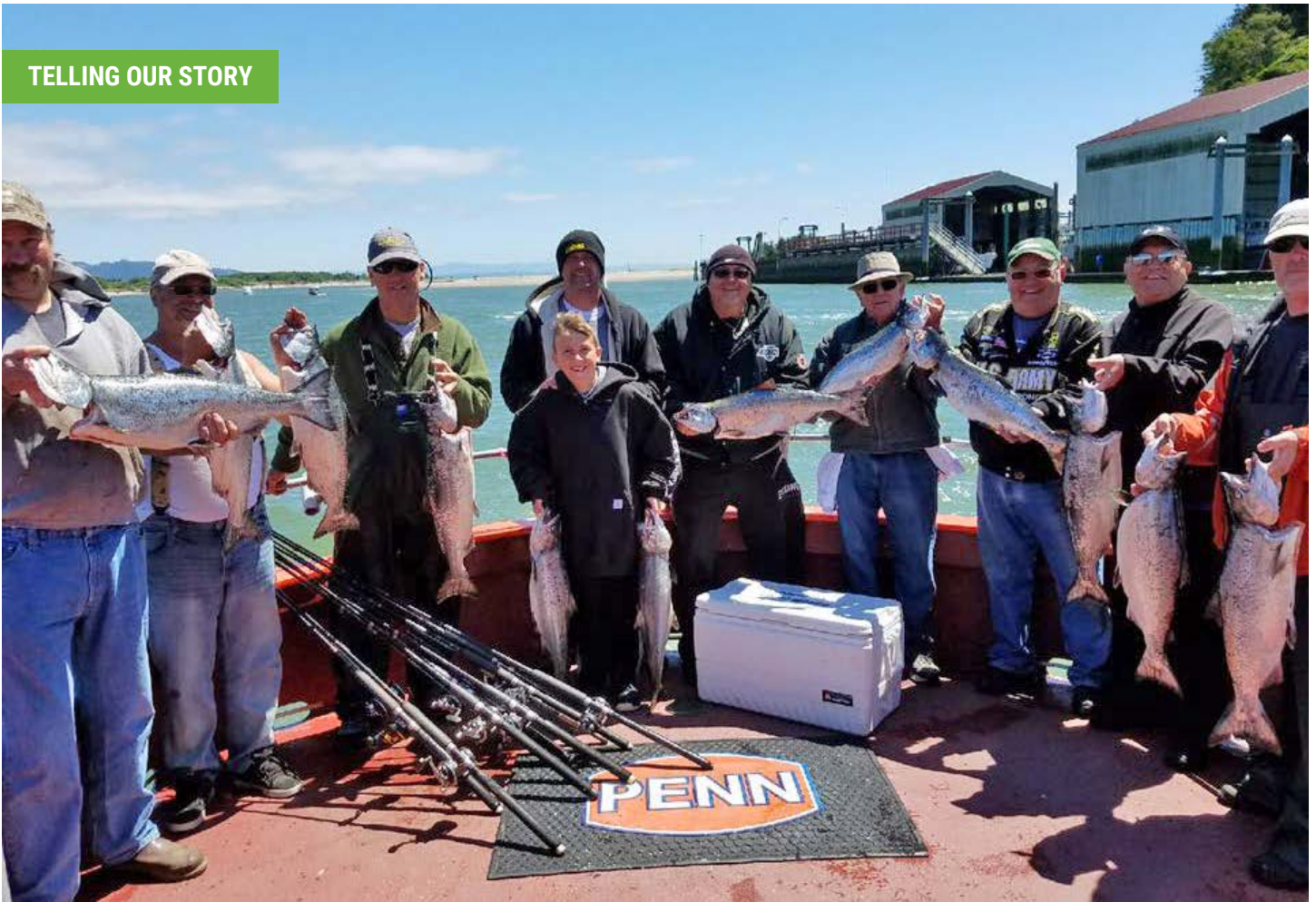
Specifically, legislators directed that the long-term plan to balance projected expenses and revenues should address:

- Expenditure reduction options that maximize administrative and organizational efficiencies and savings, while avoiding hatchery closures and minimizing impacts to fisheries and hunting opportunities; and
- Additional revenue options and an associated outreach plan designed to ensure that the public, stakeholders, the Fish and Wildlife Commission, and legislators can understand and influence the design of the revenue options.

The Legislature further directed that the range of options be prioritized by impact on achieving financial stability, impact on the public and fisheries and hunting opportunities, and on timeliness and ability to achieve intended outcomes.

The Long-Term Funding Plan was prepared by DFW in concert with the Budget and Policy Advisory Group (BPAG) to fulfill the 2017 budget proviso and approved by the Fish and Wildlife Commission. It describes DFW's current work, funding portfolio, and the funding shortfall. It then describes findings and recommendations for sustainable long-term funding including funding principles. Appendices include DFW's Outreach Plan, a summary of DFW's zero-based budget analysis [\[link\]](#), Matrix Consulting's report on organizational efficiencies [\[link\]](#), methods use to analyze expenditure reduction options, a summary of research into selected fish and wildlife agencies across the country, the Legislative Proviso, and the BPAG roster.

It is important to see this long-term funding plan in the context of other work needed. In fall 2018, DFW will begin work with the BPAG on a new strategic plan for DFW. This planning effort will allow deeper dives into DFW's services and performance, and it is anticipated that the new strategic plan will establish priorities and performance measures that may require adjustments to this funding plan.



FISHING IN COASTAL COMMUNITIES

“Ilwaco comes alive when the Coho/chinook salmon are passing by both Ocean Area 1 and Buoy 10 at the mouth of the Columbia. Charters are full, hotels are full, restaurants are full, and our economy thrives.”

– Butch Smith, Executive Director, Ilwaco Charter Association

Small communities on the coast and all along the Columbia River depend on dollars from fishing and fishing-related tourism. Fishing and razor clam digs are major draws to coastal economies and have supported generations of community-based entrepreneurs. DFW plays a critical role as the state agency that works to manage for these benefits by setting and promoting razor clam seasons, and enforcing and managing fishing seasons to ensure the resources remain viable into the future. Funding for this work comes from a range of sources including federal Dingell–Johnson funds and recreational fees and licenses.

DFW's Work

DFW PROTECTS AND CONSERVES THE ANIMALS, FISH, WATERS, AND LANDSCAPES THAT DEFINE WASHINGTON'S CHARACTER AND CONTRIBUTE TO WASHINGTON'S ECONOMY.



Washington is a permanent or temporary home to thousands of plant and animal species, including 140 mammals, 451 freshwater and saltwater fish species, and 341 species of birds that either breed here or stop here on their annual migrations. Washington also hosts 3,100 vascular plant species and more than 20,000 classified invertebrates; more than 2,000 of the invertebrate species are butterflies and moths.

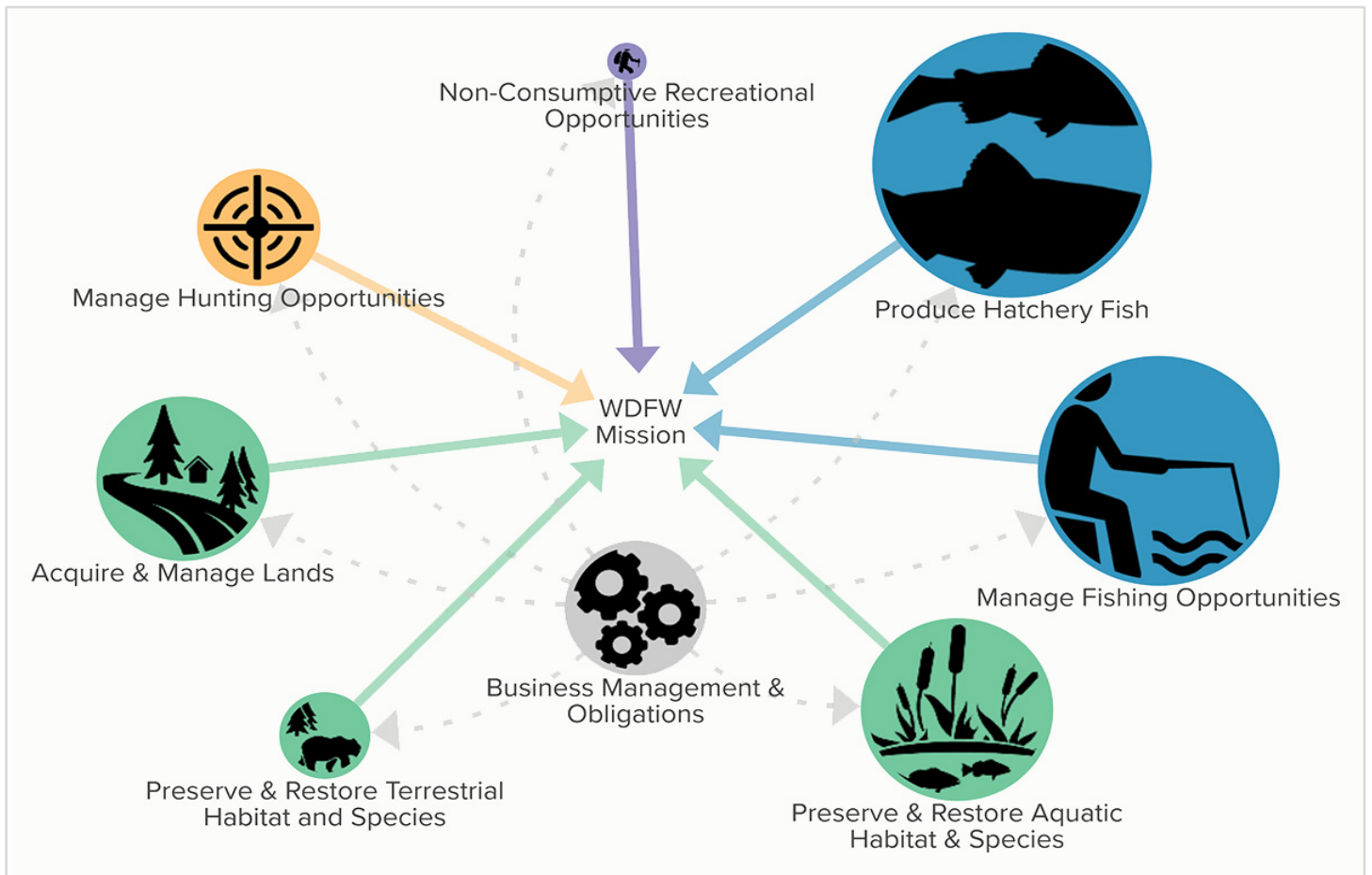
DFW is the main steward of fish, wildlife, and natural areas that support outdoor lifestyles and livelihoods in Washington State. DFW has a two-part mission established in state law to: “preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities.”

Practically, DFW’s responsibilities are wide-ranging and include conserving and protecting native fish and wildlife, protecting fish and wildlife habitat by acquiring and managing land, providing sustainable fishing, hunting, and other wildlife-related recreational and commercial experiences, promoting a healthy economy, maintaining quality of life, and delivering high quality customer service through a motivated and efficiently operating workforce. DFW also has responsibility for compliance with a variety of federal environmental laws, most notably the Endangered Species Act, and, with other agencies, for fulfillment of tribal treaty responsibilities on behalf the State.

Habitats, the species that live in them, and the services that humans derive from the ecosystem are intertwined. For that reason, virtually all of DFW’s work provides multiple benefits to fish, wildlife, the habitats on which they depend, and people. A dollar spent, for example, preserving and restoring terrestrial habitats and species also has benefits for hunters (by providing game habitat and hunting access), fish populations (by protecting water quality), anglers (by improving fish populations and perhaps providing water access), wildlife viewers/outdoor enthusiasts (by providing land on which to recreate and conserving plants and wildlife for viewing). Indirectly, this dollar spent on terrestrial habitats and species also benefit the broader public in Washington and beyond who depend on us to be wise stewards of fish and wildlife populations, benefit from the services natural lands provide by cleaning air and filtering water, and enjoy the aesthetic beauty of the lands and their contributions to a strong state economy.

It is difficult to tease apart DFW’s work into discrete outcome areas. At the same time, we need a way to talk about what DFW does and understand performance and progress. To support this conversation, DFW tracks and describes its work using eight outcomes, illustrated below.

Figure 1. DFW Outcomes. The size of each circle represents relative spending on that work.



How Does Washington Compare to Other States?

It is difficult to compare state fish and wildlife agencies because of the many variables involved and due to the different ways in which states organize their responsibilities. Most other state wildlife agencies, like DFW, are responsible for fish, wildlife, habitat, wildlife areas, management of hunting and fishing, and enforcement. In addition to these typical responsibilities, DFW also has responsibility for its part of fulfilling Washington State’s tribal treaty responsibilities and government-to-government relationships with the 29 unique federally-recognized tribes in the state⁴ particularly with respect to management of threatened and endangered salmon and steelhead. The state’s need for extensive hydropower impact mitigation is also a unique state responsibility as is our operation of the largest fish hatchery system in the nation.

We can also compare our state’s population and economic context with others. Washington State’s population and economy are growing faster than many other states, putting increasing pressure on natural lands.

⁴ National Congress of American Indians



From 2015 to 2016, Washington's gross state product grew at a rate of 3.1 percent, faster than any other western state.⁵ Washington was the fourth fastest growing state in population in 2017, with 1.7 percent growth rate.⁶ We have considerably less public land available for fish and wildlife (36 percent) compared to our neighbors Idaho and Oregon, which have 60 percent and 55 percent respectively. We have the largest saltwater estuary in the nation, Puget Sound, but the Sound is also in the most highly urbanized area of the state and requires significant protection and recovery work. In short: we are a fast-growing state, with a relatively small amount of public land, and significant habitat degradation and loss already on the books from urbanization. This places intense pressure on fish and wildlife resources.

Finally, we can compare DFW's organization and performance with that in other states. The *Organizational Assessment of Operational and Management Practices* conducted by Matrix Consulting Group (Appendix C) compared DFW to five other states: Arizona, Florida, Minnesota, Missouri, and Oregon. They looked at administrative staffing and processes, organizational authority and operations, budgeting and accounting processes, and management structures. They found that Washington State is comparable to other states of similar size and did not identify significant over-staffing, inefficiencies, or ways to reduce costs.

CO-MANAGEMENT

Washington's salmon and steelhead fisheries are managed cooperatively in a unique government-to-government relationship between the state and treaty tribes. Each year, state and tribal representatives participate in two key public fish management processes. One is the Pacific Fishery Management Council (PFMC) process. This process sets annual fisheries in federal waters from three to 200 miles off the coasts of Washington, Oregon and California. Parallel to the PFMC planning effort is the annual North of Falcon process which sets salmon fishing seasons for Indians and non-Indians in inland waters such as Puget Sound, Willapa Bay, Grays Harbor and state rivers. As with the PFMC, state and tribal fisheries experts participate in the North of Falcon process and sit on its technical committees. Those committees analyze technical information and use computer programs to set conservation goals for wild fish along with the state and tribal fisheries that focus on healthy runs of hatchery and wild salmon. Fisheries in the Columbia River and its tributaries also are co-managed by the states of Washington, Oregon and Idaho as well as four treaty tribes and other tribes that traditionally have fished in those waters. Tribal and state biologists also cooperate in analyzing the size of fish runs as salmon and steelhead migrate back to their native rivers and hatcheries. This so-called "in-season management" ensures sport, tribal, and non-Indian commercial fisheries are appropriate for the actual salmon returns and allow optimum numbers of fish to spawn. And, finally, the state and tribes have been working closely to develop the scientific tools necessary to address one of the key reasons for the decline of Washington salmon stocks: loss and degradation of freshwater and estuarine habitats.

⁵ [US Department of Commerce: Bureau of Economic Analysis - News Release, May 2017](#)

⁶ [US Census – Press Release, December 2017](#)



PARTNERING TO PROTECT PUBLIC LANDS

“DFW plays an essential role on the frontline of conserving our resources. The Mule Deer Foundation has long supported the work of the agency to preserve habitat and discourage poaching. DFW's enforcement is critical to the health of deer and other big game species and the habitat they rely on but is continually underfunded and understaffed. Without increased enforcement, we expect to see more poaching, less habitat, and fewer places to enjoy hunting and wildlife viewing.”

— Rachel Voss, Mule Deer Foundation State Chair

With supportive eyes working to reduce poaching on the landscape, and with philanthropy and boots on the ground to protect species and habitat, the Mule Deer Foundation has been a steady partner in DFW's efforts to conserve deer and other big game species, as well as a major advocate for public lands.

The Mule Deer Foundation has worked with DFW to clear brush for fire fuel reduction in areas such as the L.T. Murray Wildlife Area, helped raise funds to help recover habitat after the Carleton Complex fire, and worked hand in hand with the agency to mend fences to protect both people and big game by keeping herds off I-90. Support for wildlife monitoring and lands management partnerships comes from the state's Washington Wildlife and Recreation Program and federal State Wildlife Grants as well as Pittman-Robertson funds, Discover Passes, and hunting license revenue.

Why DFW's Work Is Important

DFW'S WORK CONTRIBUTES TO HEALTH, ECONOMY, AND OVERALL WELL-BEING IN WASHINGTON AND BEYOND.



Fish, wildlife, and healthy natural lands are part of the fabric of who we are in Washington State.

DFW's mission is to "preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities." With this mission as its guide, DFW is responsible for managing fish and game populations and the natural lands on which they depend, and ensuring hunting, fishing, and outdoor recreation opportunities. This work has multiple benefits to both users and non-users, and contributes substantially to the economy in Washington State. Multiple benefits improve the economy, public health, and the well-being of Washington citizens and other residents throughout the Pacific Northwest.

As in many western states, hunting and fishing traditions are strong in Washington and remain a significant part of life for many residents. Commercial fishing is a significant part of the fabric of many rural communities, and Washington is a premier destination for recreational salmon and steelhead fishing. Providing sustainable, successful hunting and fishing opportunities is a cornerstone of what DFW does.

In addition to hunting and fishing opportunities, DFW's work provides outdoor recreation opportunities for many other users including horseback riders, ATV riders, mountain bikers, dog trainers, hikers, nature watchers, and target shooters. A 2011 survey produced by the Department Human Dimensions of Natural

We need fish, wildlife, and healthy natural lands to pass on a good quality of life for current and future generations.

Healthy natural lands also contribute to a favorable business climate and support Washington's economy.

Resources at Colorado State University, in cooperation with DFW, found that over 80 percent of Washington residents reported frequent participation in outdoor recreation near their homes. These outdoor activities improve the health and well-being of people who participate in them and help to bolster local economies.

The benefits of DFW's work go well beyond people who hunt, fish, or otherwise recreate on state lands. Healthy natural lands provide direct services to people by filtering and cleaning air and water, lessening flood damage, supporting pollinators and mitigating the effects of climate change. Beyond the direct services they provide, healthy ecosystems and natural resources contribute to a higher quality of life and improved well-being, even for people who never or rarely hunt, fish, or use state lands. A 2017 national report studied the connection between Americans and nature. The study found that "American's value nature in remarkably broad and diverse ways...a pattern that held across demographic differences of age, race and ethnicity, residential location, educational attainment, income level, and gender."⁷ The 2011 Colorado State University and DFW survey found that nearly 90 percent of Washington residents believe nature needs protection, regardless of their use of nature.

Healthy natural lands and native species contribute to the aesthetic beauty and character of the state improving quality of life and contributing to a favorable business environment. According to a [2018 article in U.S. News and World Report](#), Seattle ranks #10 on the list of 125 best places to live across the country. The report states "The natural beauty of Seattle... is one of the biggest draws for residents. The scenery and proximity to nature, perhaps, contribute to Seattle's inherent attitude: one of calm and patience." Washington was ranked America's top state for business in 2017 according to CNBC, which scored the states based on 10 categories of competitiveness developed from an array of business and policy experts, official government sources, and the states themselves. As the study notes "one way to attract qualified workers is to offer them a great place to live." Washington scored 5th overall in Quality of Life, which includes factors like livability, parks and recreation, and environmental quality.

INVESTMENT IN FISH AND WILDLIFE LEADS TO REVENUE FOR THE STATE. EACH YEAR HUNTING, FISHING, AND WILDLIFE WATCHING GENERATE THREE AND A HALF TIMES MORE REVENUE TO THE STATE GENERAL FUND THAN IS ALLOCATED TO DFW.

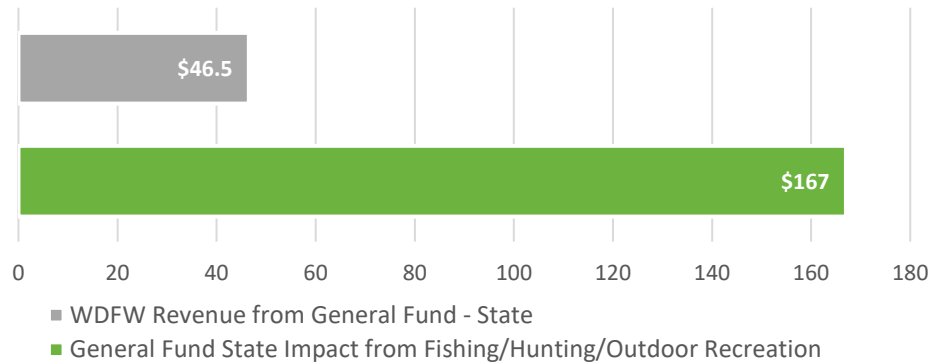
Finally, unlike many other necessary and important investments in public health and wellbeing, conserving fish and wildlife also provides direct economic benefits to the state. The Washington Department of Revenue estimates that hunting, fishing, and wildlife watching will contribute nearly \$340 million dollars to the State General Fund in FY 2018 and FY 2019 through sales tax and business and occupation taxes.⁸ This estimate looks at the initial impact to the general fund only – no secondary impacts or multipliers are included, meaning actual economic benefits are much higher. In contrast, general fund revenue allocated to DFW to support the protection and restoration of habitats and species that make hunting, fishing, and

⁷ The Nature of Americans: Disconnection and Recommendations for Reconnection,

⁸ Washington Department of Revenue. (2017) DOR GFS Estimate

outdoor recreation attractive, is about \$93 million per biennium, or \$46.5 million per year. Even looking across state land management agencies, our investment in natural resource management and conservation is significantly less than the initial economic return for hunting, fishing, and wildlife watching alone. In total, the Washington Department of Natural Resources, the Washington State Parks Commission, and DFW were allocated approximately \$151 million a year from State General Fund in the 2017-19 biennium.⁹

Figure 2. DFW General Fund Contribution vs. Revenue Annually (in millions)

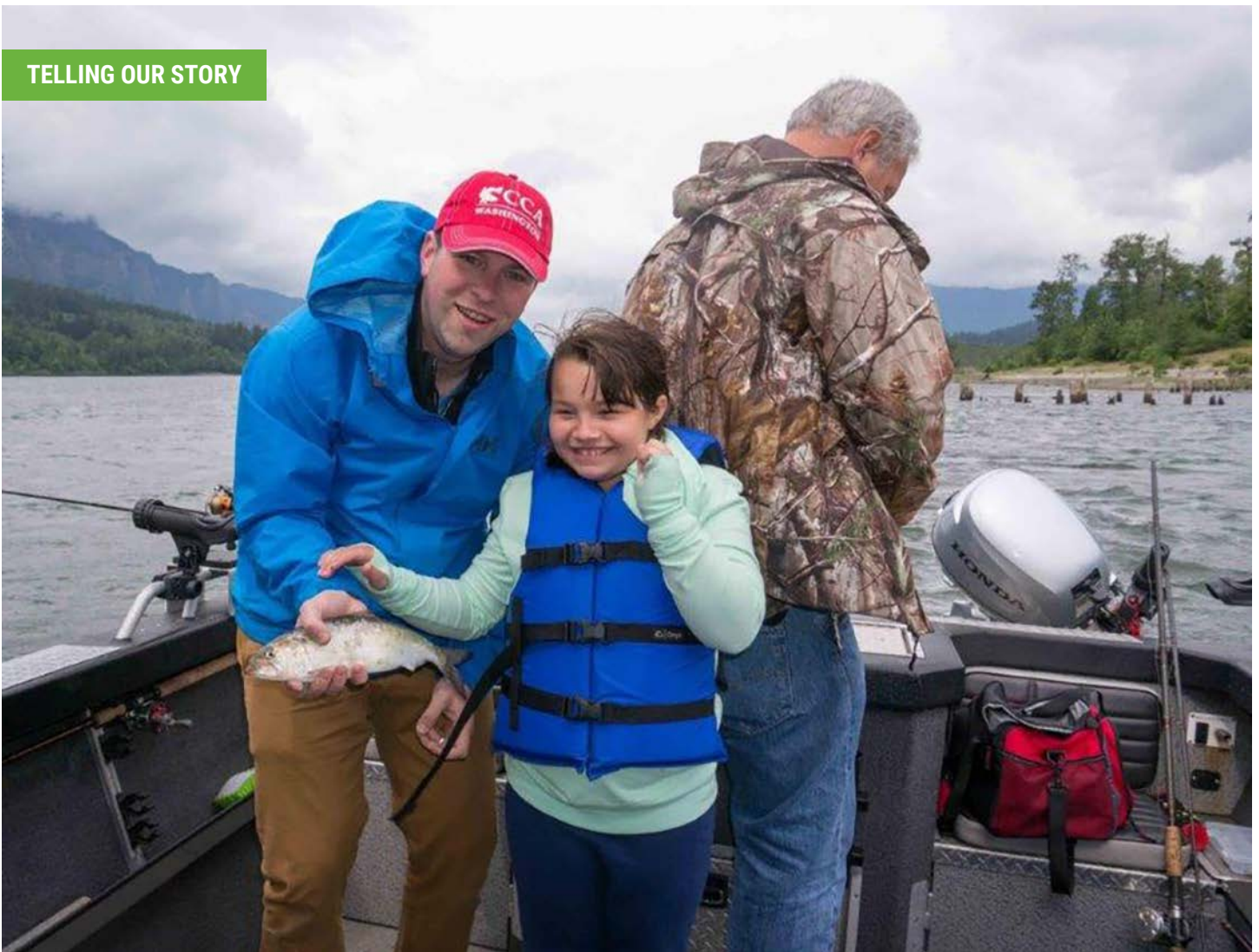


While they are not well known, these numbers are not new. A report prepared for DFW in 2008 estimated that commercial and recreational fishing in the state support \$540 million in personal income and over 16,000 jobs. The Outdoor Industry Association¹⁰ estimates that outdoor recreation in Washington contributes \$26.2 billion in consumer spending and 201,000 direct jobs, and generates \$2.3 billion in state and local tax revenue. A study commissioned by the Recreation and Conservation Office in 2015¹¹ reinforces these benefits. It notes that, in Washington State, outdoor recreation contributes to the state economy each year through direct spending and sales circulation through the economy producing supply chain activities to create outdoor recreation goods and services, and household wages that further stimulate economic activity. The report adds that outdoor recreation employment includes both full and part-time jobs in Washington State in food and beverage service, sporting goods and other retail stores, amusement and recreation industries, and hotels and motels.

⁹ General Fund numbers are according to the "https://www.ofm.wa.gov/budget/state-budgets/2017-19-enacted-budgets/interactive-state-budget-2017-19-enacted" Washington Office of Financial Management 2017-19 Enacted Budget Tool

¹⁰ Outdoor Industry Association. (2017). Retrieved from Outdoor Industry website: https://outdoorindustry.org/state/washington/

¹¹ Earth Economics. (2015, January). *Economic Analysis of Outdoor Recreation in Washington State* (Rep. No. 1.2). Retrieved from Washington State Recreation and Conservation Office website: https://www.rco.wa.gov/



PASSING ALONG TRADITIONS TO FUTURE GENERATIONS

“When it comes to family-friendly fishing, full of fast action and good times, there are few fisheries that compare to Columbia River shad fishing. As a granddad trying to teach 6- and 8-year-old granddaughters to fish, I see this as a golden opportunity.”

— Andrew Marks, Coastal Conservation Association Member

Recreational and subsistence fishing are traditions closely connected with the identities and community character of the Pacific Northwest. DFW works with outdoorspeople and their organizations to develop interest in the outdoors among youth; providing health and education benefits as well as increasing long-term commitment to conservation.

Funding for management and enforcement of fisheries comes from a range of sources including Dingell–Johnson funds, the State General Fund, and recreational fees and licenses.

DFW's Current Funding

DFW SPENDS APPROXIMATELY \$520 MILLION PER BIENNIUM, FUNDED BY A MIX OF RESTRICTED AND UNRESTRICTED STATE AND FEDERAL SOURCES.

Funding for DFW comes from six main sources: federal funding, user fees, state and local contracts, State General Fund, state bonds, and the sale of personalized license plates. A small amount of additional funding revolves through DFW and is used for things like capitalizing equipment. Figure 3 shows total expenditures from each funding source in FY 2015-17. To show the complete picture this includes all spending from the operating and capital budgets and from interagency agreements where DFW is reimbursed for providing expertise to sister agencies. Information is provided for the 2015-17 biennium because that is the most recent complete data set available. DFW will update this as information for the next biennium becomes available and will host updated information on the DFW website.

Figure 3. 2015-17 Biennium Funding Sources – Operating, Capital & Interagency Expenditures

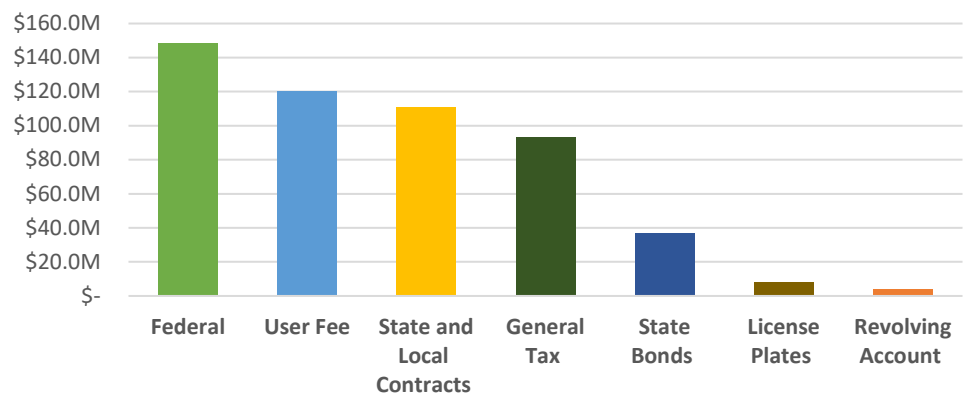
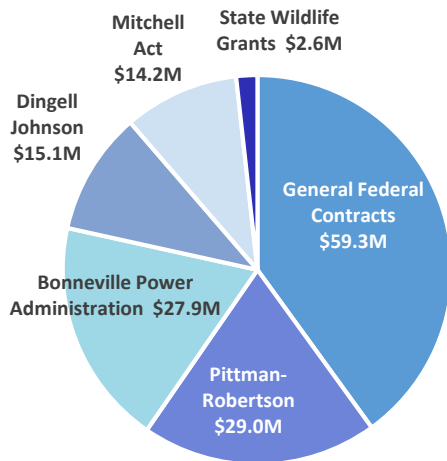


Figure 4. DFW Sources of Federal Revenue

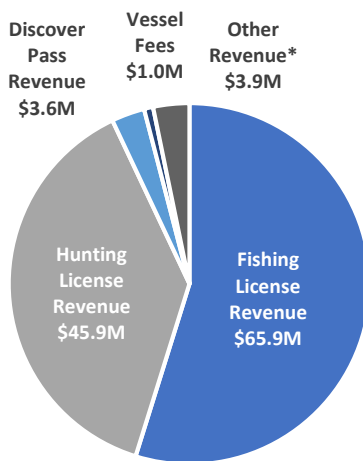


DFW’s four largest funding sources are federal funding, license and user fees, state and local contracts, and the State General Fund.

Federal funding is approximately 28 percent of DFW’s spending. Half is from General Federal Contracts. The rest is Pittman-Robertson, Dingell-Johnson, and Mitchell Act allocations, along with funding provided as mitigation for the federal Columbia River hydropower system and state wildlife grants. Pittman-Robertson, Dingell-Johnson, and Mitchell Act appropriations are described more fully in Table 1.

User fees are approximately 23 percent of DFW’s spending. In this analysis, user fees include the full range of hunting and fishing licenses and endorsements, license transaction fees, access passes such as the Discover Pass, application fees, and other costs paid directly by users.

Figure 5. DFW Sources of User Fee Revenue



State and local contracts are funding given to DFW by other state agencies, local governments, or private sources for specific projects tied to specific outcomes. They make up approximately 21 percent of DFW’s spending. The largest sources are habitat restoration projects, funded in the capital budget through the Recreation and Conservation Office (for which DFW competes with other project sponsors,) and funding from other state agencies who draw on DFW expertise.

Finally, the State General Fund makes up approximately 18 percent of DFW’s spending. Revenue for the State General Fund comes from state sales taxes, real estate excise taxes, and business and occupation taxes managed through the state’s general fund. The general fund also receives landing taxes from commercial fishing. DFW receives additional funding from the Aquatic Lands Enhancement Account and the Environmental Legacy Stewardship Account, which is included here.

Table 1. Federal Funding Sources

Funding Mechanism	Source	Use
Pittman-Robertson ¹²	These are federal funds that come from an 11% federal excise tax on sporting arms and ammunition and are apportioned to states on a formula based on how many hunting licenses are sold in the state.	Funds can be used for acquisition and improvement of wildlife habitat, introduction of wildlife into suitable habitat, research into wildlife problems, surveys and inventories of wildlife problems, acquisition and development of access facilities for public use, and hunter education programs, including construction and operation of public target ranges.
Dingell-Johnson ¹³	Funds are derived from a 10% federal excise tax on certain items of sport fishing tackle; a 3% federal excise tax on fish finders and electric trolling motors; import duties on fishing tackle, yachts and pleasure craft; interest on the account; and a portion of motorboat fuel tax revenues and small engine fuel taxes authorized under the Internal Revenue Code.	Funds can be used for management and restoration of fish having “material value in connection with sport or recreation in the marine or freshwater”; aquatic education, wetlands restoration, boat safety and clean vessel sanitation devices (pump-outs), and a nontrailerable boat program.

¹² Federal Aid in Wildlife Restoration Act (16 U.S.C. 669-669j; 50 Stat. 917)

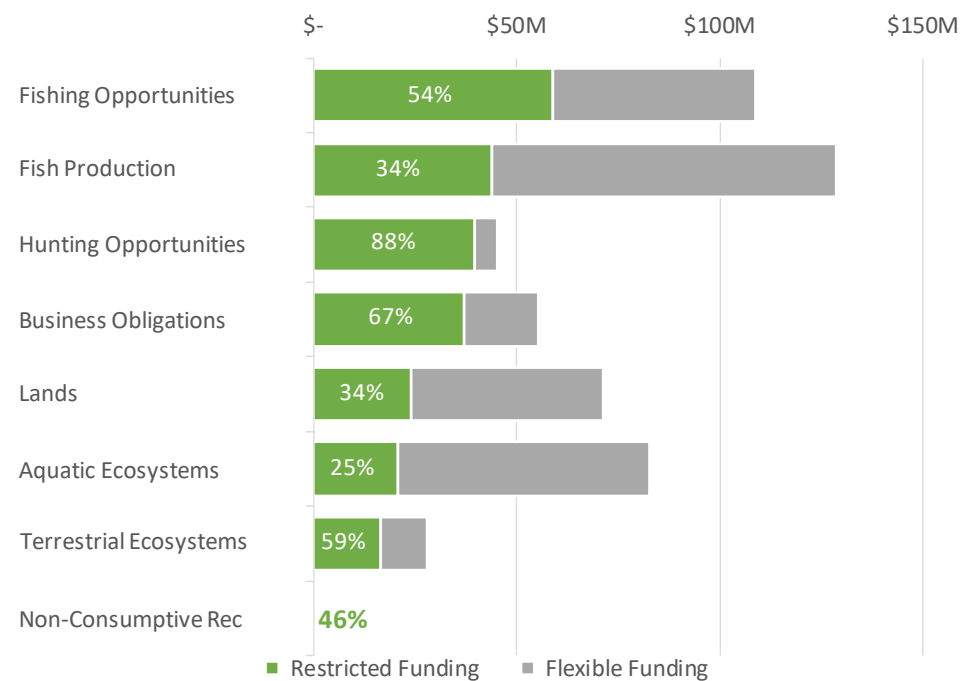
¹³ Federal Aid in Sport Fish Restoration Act (16 U.S.C. 777-777k, 64 Stat. 430)

Funding Mechanism	Source	Use
Mitchell Act ¹⁴	Mitchell Act funds are appropriated by Congress.	Funds should be used for the conservation of the fishery resources of the Columbia River; establishment, operation and maintenance of one or more 'salmon cultural' stations in Oregon, Washington, and Idaho; and for the conduct of necessary investigations, surveys, stream improvements and stocking operations for these purposes.

About Half of DFW's Funding Is Restricted

About half of DFW funds are restricted by state or federal law, meaning they can be spent only on specified activities, such as wildlife rehabilitation or rockfish research. This restricts DFW's ability to direct funds to shifting priorities or address emerging or critical issues. It can result in ongoing investment in lower priority work when times are tight, and reduces management flexibility to address insufficient funding and the structural deficit. Figure 6 shows the flexible spending by fund source.

Figure 6. Percentage of Total Funding That Is Potentially Flexible



¹⁴ Mitchell Act (16 USC 755-757; 52 Stat. 345)



PARTNERSHIP & COMMITMENT RESTORING FISHERS IN WASHINGTON

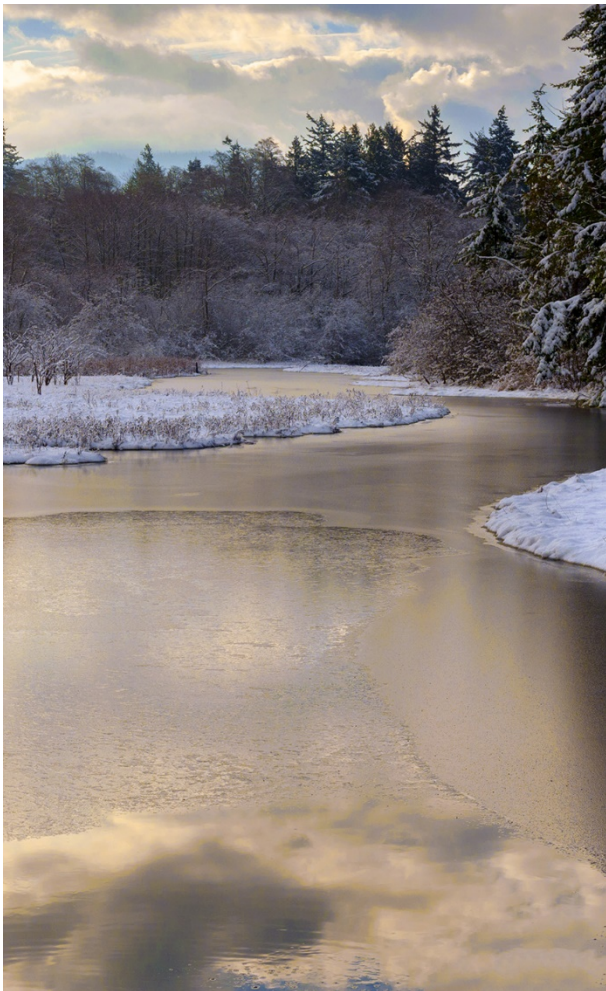
“I value DFW’s work to restore fishers at Mount Rainier National Park and throughout the Olympics and Cascades. This partnership between nonprofit organizations, state and federal entities, local tribes and Canadian First Nations is a sign of a Department that is demonstrating ever greater commitment to working with the people of Washington to conserve the full range of species that make this a great place to live.”

— Mitch Friedman, Executive Director, Conservation Northwest

Fishers are a member of the weasel family that vanished from Washington’s forests more than 70 years ago. Across the country, the fishers’ range was dramatically reduced by trapping, predator control and habitat loss. With support from private landowners, federal agencies, and non-profit conservation organizations, DFW is leading a proactive effort to re-establish the species in its native habitat and avoid an endangered species listing. So far, more than 150 fishers have been released on federal forestlands in the Olympic National Park and southern Cascade Mountains. While the challenges to more than 250 species of greatest conservation need in the state are immense, the Washington Department of Fish and Wildlife is working to restore the health of our wildlife populations and the habitats that support them. Conservation Northwest has worked with DFW and other state and federal partners on projects ranging from the I-90 wildlife corridor to efforts to restore iconic species like wolverines and sharp-tailed grouse. Funding for species and habitat conservation comes from partners, federal State Wildlife Grants, personalized license plates, and the State General Fund, among other sources.

How DFW Allocates Funding

DFW ALLOCATES FUNDING ACROSS 42 STRATEGIES IN EIGHT OUTCOMES. EACH OUTCOME USES REVENUE FROM MULTIPLE FUNDING SOURCES.

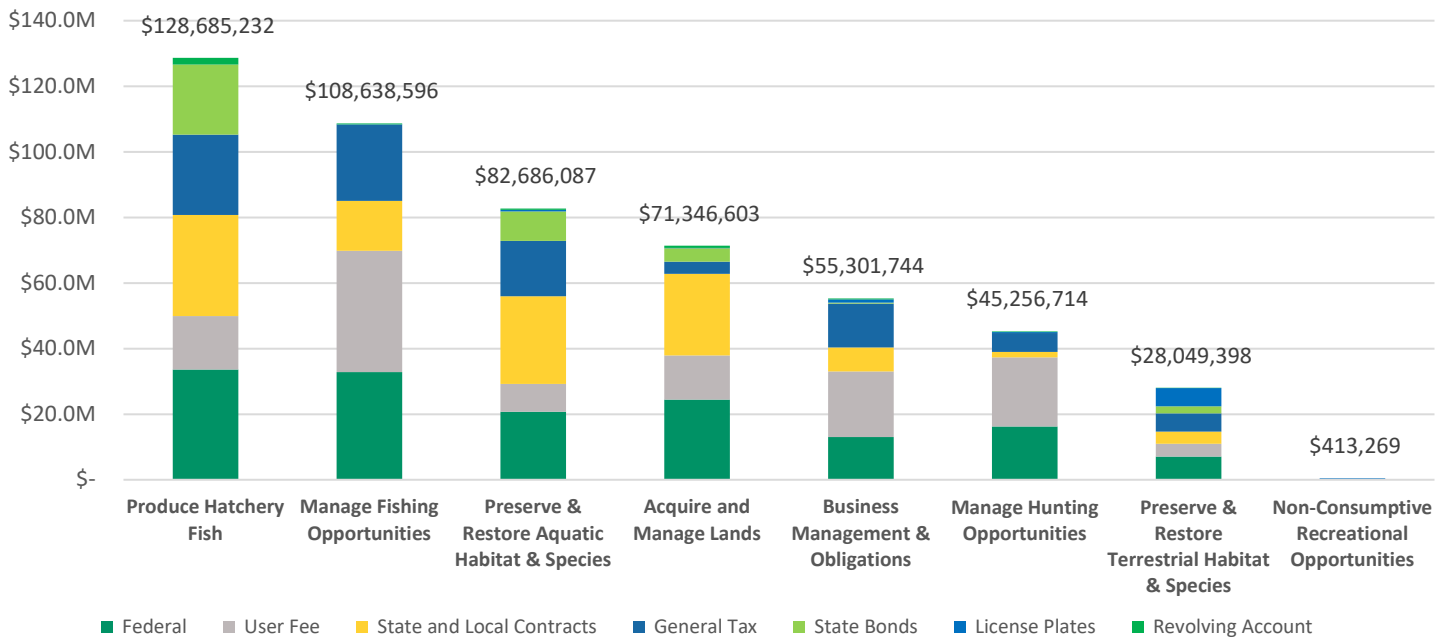


DFW carries out its mission by focusing on eight key outcomes:

1. Preserve and restore terrestrial habitats and species
2. Preserve and restore aquatic habitats and species
3. Acquire and manage lands
4. Manage hunting opportunities
5. Produce hatchery fish
6. Manage fishing opportunities
7. Provide non-consumptive recreational opportunities
8. Business management obligations.

Overall, DFW spends the largest portion of its funding on fishing opportunities with 46 percent of Department spending in the 2015-17 biennium spent to produce hatchery fish and manage fishing opportunities. Managing hunting opportunities accounted for 9 percent of the total agency spending and managing DFW lands for hunting, fishing and conservation accounted for 14 percent. Preserving and restoring habitats accounted for 21 percent of agency spending and business management accounted for 10 percent. The Department currently spends very little (0.1 percent) in direct management or promotion of non-hunting and fishing opportunities such as hiking and wildlife watching, although those opportunities benefit passively from all work of the Department. Figure 7 shows the amount of funding for each outcome in the 2015-17 biennium and the sources of funding by major funding type.

Figure 7. DFW Expenditures by Outcome, and Total Expenditures, 2015-17 Biennium (Includes Operating, Capital & Interagency)

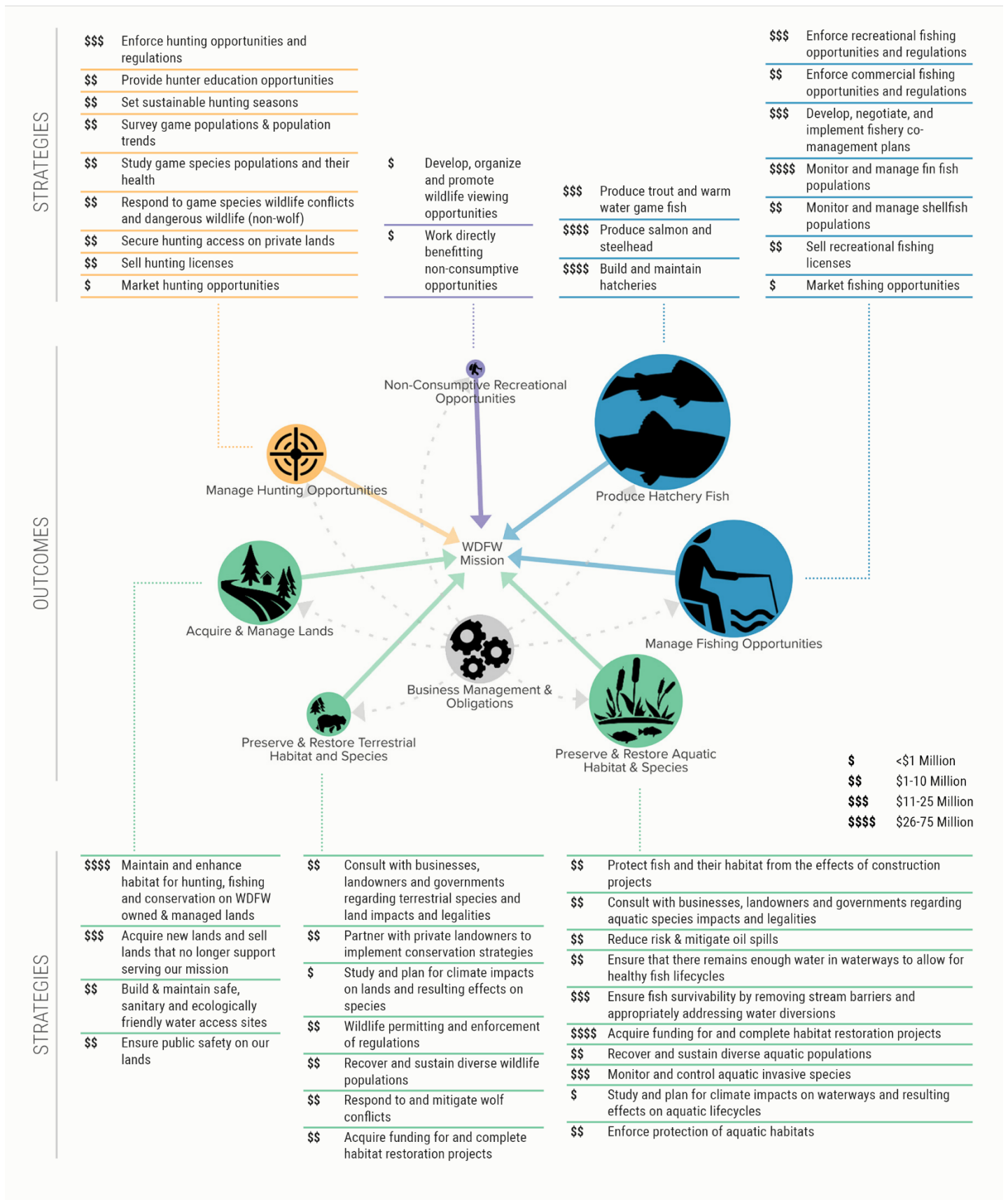


Note: non-consumptive recreational opportunities are funded through federal, user fees, state and local contracts, and license plate revenue.

Explore the Work and Spending Further

The eight outcomes that define DFW’s work are supported by 42 strategies. Figure 8 shows the strategies and the relative amount spent on each. Soon this information will be online to allow a fuller exploration of outcomes and strategies, progress, and funding.

Figure 8. Manage Hunting Opportunities Outcome with Associated Strategies





NATURE'S IMPACT ON OUR ECONOMIC FUTURE

“Fishing, hunting and nature tourism are major drivers for Washington State’s economy and deserve more positive attention from the Legislature. Olympia, like many other cities in Washington, is seen as a gateway to the outdoors. Nature is what differentiates Washington from other states, and outdoor recreation brings benefits to both rural and urban areas. Investing in nature means investing in our economic future.”

— Gary Chandler, Association of Washington Business, V.P. Government Affairs

Nature is the foundation of Washington’s economy. Few things are more important to attracting new businesses and talent than vibrant outdoor recreation opportunities, including hunting, fishing and wildlife viewing. DFW’s work is a fundamental cornerstone for quality of life in Washington. Seventy-two percent of Washington residents participate in outdoor recreation each year and some 201,000 direct jobs are supported by outdoor recreation according to new research by the Outdoor Industry Association. DFW is also working to develop new means to connect with populations that do not hunt or fish, but who are visiting our fish and wildlife lands for recreation and wildlife watching. Funding for this work comes from a range of sources including the federal Dingell–Johnson funds and Pittman–Robertson funds, the state capital budget, State General Fund, and recreational fees and licenses.

The Funding Challenge

THE DFW BUDGET SHORTFALL HAS INCREASED DURING THE PAST THREE BUDGET CYCLES. THE 2019 SHORTFALL IS PREDICTED TO BE OVER \$30 MILLION.



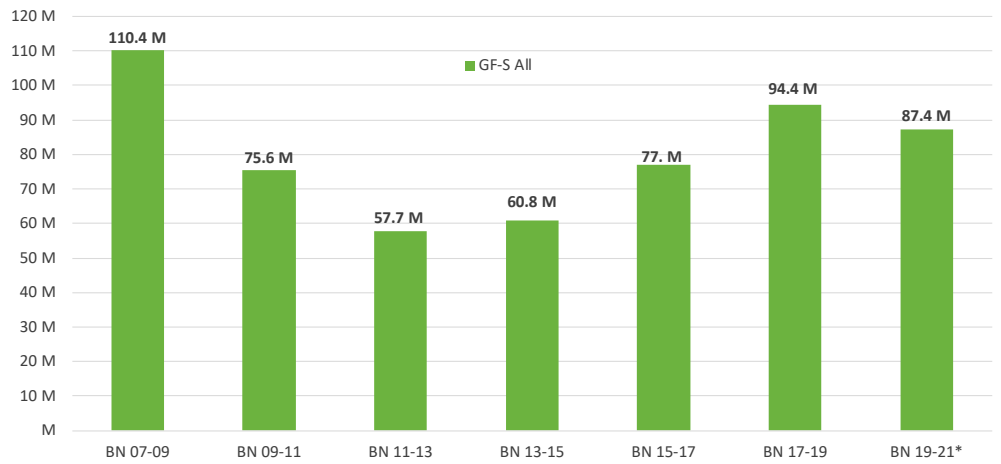
Over the past several budget cycles, funding for DFW has fallen farther and farther behind what is needed to continue to provide existing services. DFW’s funding challenges are the result of two primary factors: a structural shortfall, and a longer-term shift in DFW’s landscape of work and customer base.

The Structural Shortfall Has Three Main Causes

The term “structural shortfall” means that DFW’s spending authorization from the Legislature is routinely greater than the actual revenue available to DFW. It has three main causes:

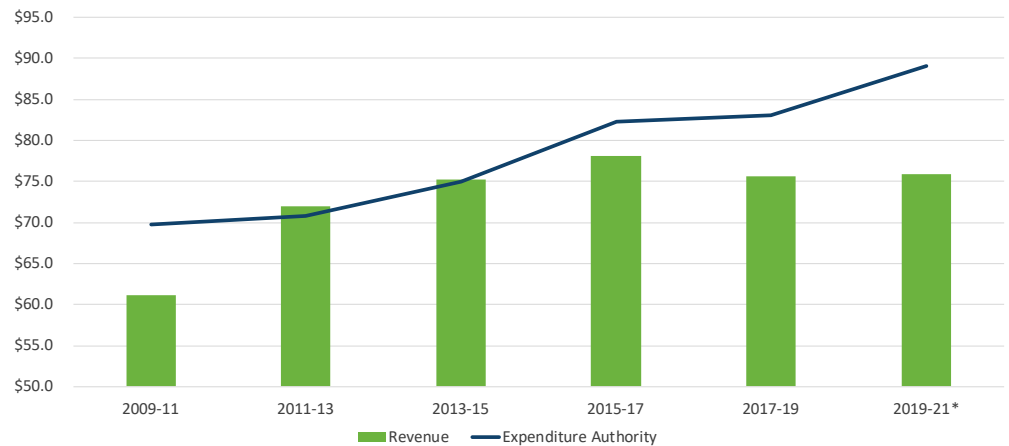
First, *state funding has not kept up with DFW’s responsibilities*. DFW’s State General Fund appropriation is less now than it was in 2008 even though costs of everything from staff salaries to fish food for hatcheries have gone up. Effectively, in 2018 DFW is trying to accomplish increased work and responsibilities with less state funding than it had ten years ago. Permanent reductions to hatchery production and conservation work taken as part of state-wide budget cuts in 2009 have never been restored and continue to affect access and opportunity for hunters and anglers. Figure 9 shows general fund appropriations for the last six biennium and the anticipated carry-forward appropriation for the 2019-21 biennium if no adjustments are made.

Figure 9. General Funding – State Since 2007-2009



Second, hunting, and fishing license spending power has declined steadily over the last eight years. Revenue has not kept pace with DFW spending authority or inflation. DFW entered the 2017-19 biennium facing a gap of more than \$11 million between projected fishing and hunting revenue and the spending level authorized by the Legislature. This inflationary gap was caused by several statewide compensation factors, the largest of which was state employee cost-of-living increases (COLAs), pension contributions, and targeted salary adjustments for certain job classes. This is spending required by the Legislature, but not funded. Additional budget reductions in the 2017 operating budget increased the gap to over \$15 million. Every year DFW faces higher costs from legislatively-approved inflationary adjustments, while DFW’s revenue remains static. Figure 10 shows how revenue has not kept pace with DFW’s spending authority from the Legislature.

Figure 10. Hunting and Fishing License Revenue Is Not Keeping Pace with Appropriations



Third, increasing costs to manage fisheries under the Endangered Species Act have not come with commensurate federal funding. Key federal funds have not kept pace with inflation, nor has federal funding risen with the costs of complying with requirements for managing fisheries and hatcheries as required by federal laws, policies, court rulings, and treaties. This shortfall added over \$12 million to the

projected funding gap in the 2017-19 biennium and is expected to increase in the 2019-21 biennium.

In summary, DFW suffers from:

1. A State General Fund shortfall and lingering effects from cuts made in 2008 that continue to erode today's opportunities.
2. A license fee shortfall from inflation which erodes purchasing power. Costs have gone up, but DFW can't raise prices without Legislative approval, approval that has not been forthcoming.
3. Declining federal support coupled with increasing federal ESA compliance costs.

The 2017-19 total biennium budget shortfall was approximately \$27 million. The 2019-21 biennium budget shortfall is estimated at \$33 million.

It is important to understand that the 2019-21 biennium shortfall is very real. In the 2015-17 biennium DFW was able to keep services whole with a one-time \$10 million additional appropriation from the Legislature along with, at the direction of the Legislature, "spending down" reserves in all accounts, delaying equipment purchases, and targeted cuts. Table 2 shows the one-time solutions implemented in 2017-19. DFW identified an additional \$2.1 million in recommended cuts for 2019-21; however those will not fill the gap created by expiration of the 2015-17 one-time solutions and leaves a remaining shortfall of approximately \$31 million. If a more sustainable, long-term approach is not implemented in 2019 real and deep cuts in services will result.

Table 2. DFW 2017-19 Budget Balancing Strategy

Item	Amount
One-time GF-S enhancement	\$10.1
Reduce Wildlife Account reserves	\$3.2
Delay equipment purchases	\$4.5
All funds pay fair share of administrative costs	\$1.1
Use of restricted fund balances	\$2.3
Additional cuts to balance	\$5.8
Total Solutions	\$27.0 million

Shifting User Base Contributes to Funding Uncertainty

While the structural shortfall is an important piece of DFW's funding challenge, it is not the only cause of the budget deficit. The landscape of financing for fish and wildlife agencies is shifting. Traditionally, state fish and wildlife agencies have been funded largely through hunting and fishing license fees and federal excise taxes on the purchase of firearms and ammunition (Pittman-Robertson Act funds) and boat fuel and fishing gear (Dingell-Johnson Act funds). Hunting and fishing numbers are no longer increasing and in some cases are declining. This decline likely has multiple

causes: decreased access to private lands, shorter and less predictable fishing seasons, the aging of Baby Boomers who grew up fishing and hunting, and lower fish and game populations. Additionally, many young people are moving away from heritage recreation activities and toward activities such as climbing, hiking, and camping. Declines in hunting and fishing have resulted in a loss of approximately \$5.4 million a year in license revenue. Figures 11-14 show the decline in hunters and anglers from 2007-2017. It is important that rising license fees do not become a barrier to entry for the next generation of hunters and anglers.

Figure 11. Number of Hunters and Hunting Revenue by Year



Figure 12. Number of Anglers and Angling Revenue by Year

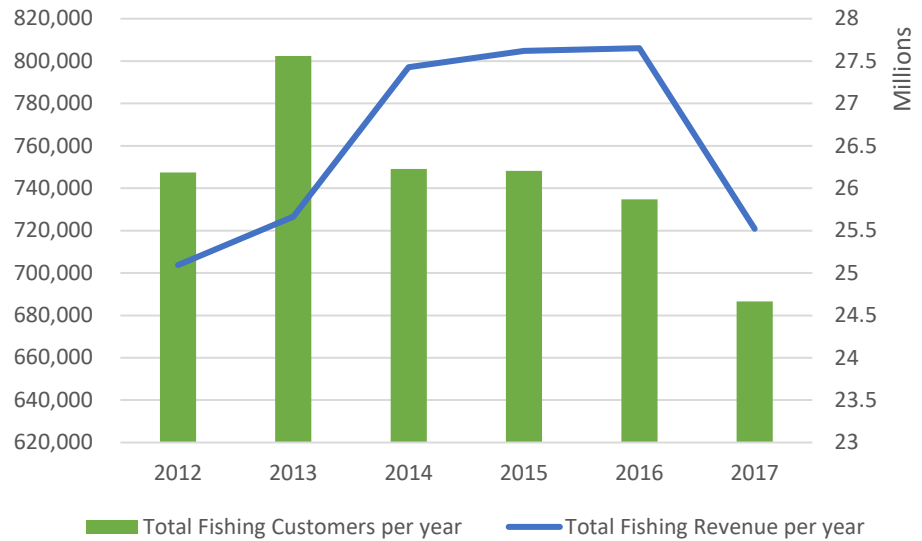


Figure 13. Discover Passes Sold by Year

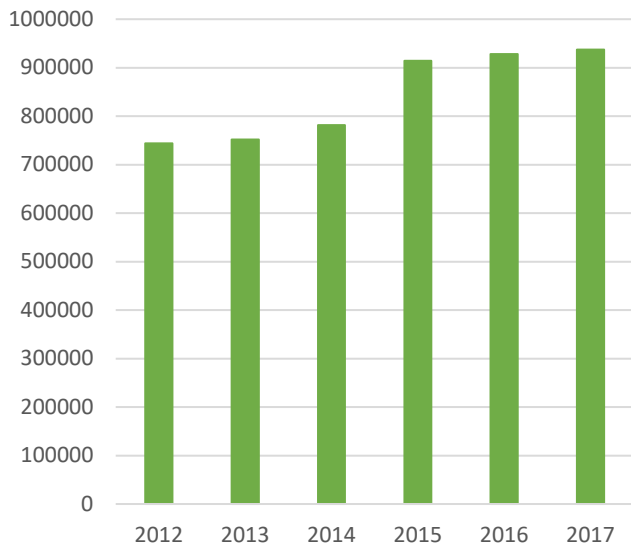
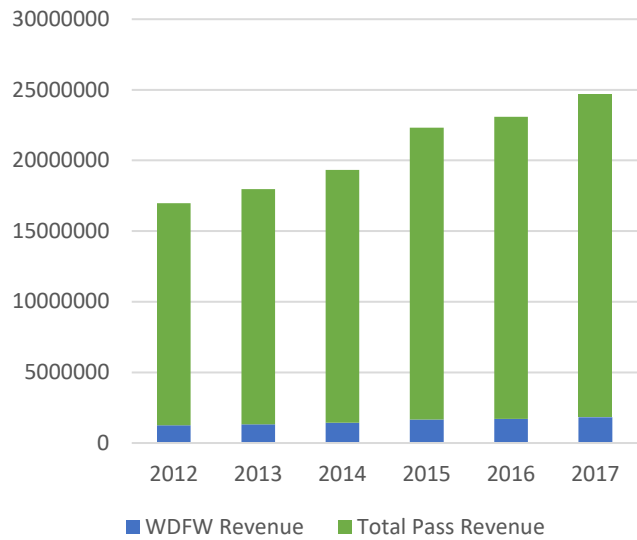


Figure 14. Discover Pass Revenue by Year



Efficiencies Will Not Solve the Budget Crisis

To help inform a long-term funding strategy, the Legislature directed DFW, with the Office of Financial Management, to “consult with an outside management consultant to evaluate and implement efficiencies to the agency’s operations and management practices.” Matrix Consulting was hired to carry out this evaluation. They examined administrative staffing and processes, the decentralized nature of organizational authority and operations, budgeting and accounting processes, and executive, program, and regional management structures including accountability. They also compared DFWs

administrative, budgetary, staffing, and organizational approaches to other state agencies. Matrix made many recommendations for improvements particularly around strategic planning, performance measurement, and communication; they did not find signs of gross over-staffing, inefficiency, or significant ways to reduce costs. Several of the actions Matrix recommended would create new costs. For example, better strategic planning and performance management may have higher costs (at least in the short term) from increased staff efforts. Adopting automated software tools for budget, contracts, time accounting, HR, and payroll require costly technology. The full Matrix report is available [here](#).



AT A CRITICAL POINT IN SHRUB-STEPPE HABITAT CONSERVATION

“We are losing shrub-steppe habitat across the Columbian River Basin before its full value to the sage land ecosystem, to animals of all kinds, and to wildlife enthusiasts is recognized. If we can’t successfully conserve these places, the primordial strut of the Greater Sage-Grouse, and everything it represents, will be lost forever. The wilderness experience of future generations will be diminished.”

— Jen Syrowitz, Executive Director, Washington Wildlife Federation

DFW works with other state and federal agencies and non-profits to meet the challenges of habitat fragmentation to save important species such as sage grouse and pygmy rabbits. Increasingly, DFW has built its strategies around connecting conservation aims with outdoor recreation aims, better serving those who participate in hunting, fishing and wildlife viewing, and all the many Washington citizens who are beneficiaries of a resilient natural landscape — even those who never travel further than their local city park. Wildlife monitoring and lands management are supported by Pittman-Robertson funding, Discover Passes, and hunting license revenue. Many of DFW’s wildlife areas are mitigation lands bought and managed through funding from the Columbia Basin hydropower projects. Payments in Lieu of Taxes, payments made to compensate a government for some or all the property tax revenue that would have come from private ownership, are sourced through the State General Fund.

Findings and Recommendations

INCREASED INVESTMENT IS NEEDED TO ENSURE HEALTHY FISH AND WILDLIFE POPULATIONS AND PUBLIC LANDS NOW AND FOR THE FUTURE.



The Budget and Policy Advisory Group was established in 2017 to advise the Director of DFW on broad budget and policy questions and decisions. It is made up of 20 appointed members representing a broad range of fish, wildlife, recreation, land management, and conservation interests. The first task of the group was to work with DFW to develop this Report.

Rather than try to develop a long-term funding strategy on its own, DFW convened the Budget and Policy Advisory Group (BPAG) to provide a multi-stakeholder perspective on the work required by the budget proviso. Detailed versions of the information summarized in the preceding sections was provided to the BPAG and the group spent eight months, from December 2017 to August 2018, deliberating on long-term funding over a series of six meetings. The BPAG advised DFW on findings and recommendations and DFW has embraced that advice and is working to reflect it in this report and in its 2019 budget proposals.

Some members of the BPAG were interested in advocating even more forcefully for sustainable funding for fish and wildlife conservation, these members have written a letter describing their views which is included as Appendix H.

Findings

➡ DFW's mission – *to preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities* – remains vital and is increasingly important to supporting economic prosperity, promoting public health, and ensuring a high quality of life for all Washingtonians, including those who never hunt, fish, or visit a wildlife area.

➡ DFW's funding has not kept pace with its responsibilities. The Legislature's approved budget for DFW has relied on assumptions about user fee income that do not reflect modern realities. DFW's general fund spending power is less now than it was in 2008, even though, as we all know, costs have gone up. Hunting and recreational fishing license fees have not increased since 2011 and the Discover Pass fee has not increased since it was established.

➡ Efficiencies will not solve the problem. DFW has an ongoing process improvement program tasked with finding and implementing efficiencies. An independent Organizational Assessment of Operational and Management Practices did not reveal any major cost savings to be found from improving efficiency within DFW.

➡ Washington's unique context sets it apart from other states. Co-management responsibilities, significant commercial fisheries, the largest hatchery system in the nation, significant Endangered Species Act listed species obligations, and substantial recent and projected population growth increase the need for adequate funding and the demands for expertise of Department staff. Continuing rapid population growth and loss of habitat will put further pressure on access to and use of public lands, and on the survival of many fish and wildlife species.

➡ Hunter and angler participation numbers are declining while other outdoor recreation, such as nature watching, hiking, ATV riding, mountain biking, horseback riding, and recreational/target shooting, grows in popularity. An increasing diversity of users with different priorities and interests increases the potential for user conflict and demands more services and attention from DFW.

➡ Over half of DFW's funding sources have restrictions on their use and this constrains DFW's ability to manage effectively.

➤ Heavy reliance on user fees set by the Legislature makes funding particularly vulnerable when stakeholders are at odds with one another or disagree with an individual DFW action or policy. When DFW's programs are imperiled over one user group's concern with a single issue, it weakens the stability and reliability of funding and programs for all. It forces DFW into reactive, rather than proactive, management.

➤ Over time, lack of stable, adequate funding has brought about adverse and non-productive outcomes including competition between stakeholders for scarce resources and insufficient investment in habitat protection and restoration in species of most concern especially non-game fish and wildlife. This has contributed to a lack of sustainable and productive hunting and fishing opportunities and put Washington at substantial risk of a crisis in fish and wildlife conservation.

➤ Although the challenges are significant, they can and must be met through a combination of better long-range visioning and strategic planning, keener outcome-based performance management, new and expanded partnerships, and appropriate, sustainable funding.





PRESERVING HABITAT FOR WILDLIFE AND HUNTING

“Hunting has always played a critical role in conservation in North America. When DFW makes habitat acquisitions like the 4-O Ranch near Asotin, it supports hunting lifestyles and traditions not just for hunters but also for anyone who values wildlife in the state.”

— Wayne Marion, Rocky Mountain Elk Foundation

DFW purchases lands from willing sellers to maintain the landscapes and habitat that fish and wildlife need to thrive. This land also provides public access for hunting, fishing, wildlife watching, and related recreation. Recently, DFW purchased the 4-O Ranch Wildlife Area near Asotin to support elk and mule deer populations as well as steelhead, redband rainbow, and bull trout. The land also supports a variety of other wildlife including bighorn sheep, black bears, golden eagles, wild turkeys, and more. Since the Sinlahekin Wildlife Area in Okanogan County was purchased in 1939, DFW has acquired more than a million acres dedicated to preserving and protecting fish and wildlife habitat for current and future generations and allowing 24/7/365 public access for high-quality hunting, fishing, and outdoor recreation that fuels tourism for rural communities. Funding for land acquisitions like the 4-O Ranch comes from sources such as the state’s Washington Wildlife and Recreation Program in the state capital budget, Pittman-Robertson and other federal grants.



Principles for Long-Term, Sustainable Funding

1. **Address the full Department Mission and the Needs of Washingtonians Now and into the Future.** Urgent action and increased investment are needed to solve the ongoing budget shortfall and place DFW on a more sustainable path to ensure hunting, fishing, and outdoor recreation opportunities, and vibrant, thriving ecosystems for future generations.
2. **Ensure a Mix of Funding Sources.** Funding for fish and wildlife should be drawn from a variety of sources which recognize the value of healthy natural lands and native species to all Washingtonians and provide a connection to hunters, anglers, and other users.
3. **Maintain Affordability for all Washingtonians.** Hunting, fishing, and outdoor recreation fees should be affordable; fee schedules should provide accommodation for the young, elderly, families, and low-income users.
4. **Communicate Funding, Spending, and DFW's Work More Clearly.** Revenue sources and funding decisions should be clearly and broadly communicated. Funding decisions should clearly track back to DFW's mission, strategic goals, priorities, governing principles, and responsibilities.
5. **Address the Concerns of Users and Stakeholders.** Sustainable long-term funding becomes more in reach if there is broad-based public support. DFW needs to improve its relationships with both traditional and newer user groups and with the general public and become more responsive to user and public concerns.

The Budget and Policy Advisory Group deliberately rejected an approach that would rely mostly on user fees for funding. They believe strongly that broad benefits provided by conservation of fish and wildlife demand a broad-based funding source.

Funding Recommendations

Recommendation 1 – Increase the Amount and Stability of Funding. The Legislature should increase the amount and stability of funding to fish and wildlife management and conservation. In the short term, overall, funding for DFW needs to increase at least enough to eliminate the current structural budget shortfall and provide capacity to address ongoing compensation and health care costs. The stability of funding also needs to be strengthened, so DFW can effectively sustain programs during economic downturns and plan for the future. In the longer term increased investment overall is needed to protect and restore fish and wildlife species managed by DFW for the public trust, prevent a new wave of threatened and endangered species listings, and ensure healthy natural lands for the benefit of all Washingtonians.

Recommendation 2 – Most Funding Should Come from a Broad-Based Source Such as the General Fund. The Legislature should increase the percentage of Department funding that comes from a broad-based source of revenue. Because the benefits of healthy fish, wildlife, and natural lands are felt by all Washingtonians, the goal over time is for most of DFW’s funding to come from a sustainable, reliable, broad-based revenue source. In the 2019-21 biennium, DFW will request three quarters of the money needed to fill the funding shortfall and make critical new investments from the state general fund.

Recommendation 3 – Revenue from Licenses and Fees Should Supplement Broad-Based Funding. Revenue from fishing and hunting license fees and other fees (e.g., Discover Pass) should supplement, not replace, broad-based general funding sources. License fees cannot and should not be expected to fully recover the costs of all Department programs and activities related to hunting, fishing, access to public lands, or recreation programs. The goal is for users to meaningfully participate in funding for fish and wildlife management and conservation programs through appropriate, affordable, and balanced fees. In the 2019-21 biennium, DFW will request a quarter of the money needed to fill the funding shortfall and make critical new investments from the state general fund.

Recommendation 4 – Improve Products and Update Fees for Hunters and Anglers. License fees for hunters and anglers should be evaluated and updated to create a new baseline fee structure that is simplified, offers the products hunters and anglers want, and is fair and balanced. In many cases license fees have not increased since 2011 and are expected to increase as part of this effort. At the same time, products and access for hunting and fishing must improve, the regulations should be simpler and easier to access and understand, and more focus should be given to recruitment, retention, and reactivation of hunters and anglers. DFW must work to ensure meaningful and sustainable hunting and fishing opportunities state-wide where feasible, including restoring opportunity where it has been lost, particularly closer to population centers.

Recommendation 5 – Improve Products and Update Access Fees for Recreational Users. Access fees for recreational users such as hikers, bird-watchers, horseback riders, mountain bikers, target shooters, and ATV riders who access public lands should be evaluated and updated. The most likely mechanism for this is through

Table 3. Examples of Broad-Based Sources of Revenue for Natural Resource Preservation, Conservation, and Outdoor Recreation in Other States

Source of Funding	Number of States Implementing Mechanism
Sales Tax	4 (AR, IA, MN, MO)
Real Estate Transfer Tax	5 (AR, FL, MD, TN, VT)
Bond	5 (CA, ME, NV, OH, PA)
Severance Tax	1 (CO)
Corporate Business Tax	1 (NJ)
Sporting Goods Tax	1 (VA)



updating the existing Discover Pass system. There is an ongoing re-evaluation of the Discover Pass system led by the Ruckelshaus Center that recommended elimination of the Discover Pass in favor of an alternative broad-based source of funding such as a fee on vehicle license tabs. Analysis of alternatives for broad-based sources of funding that could take the place of the Discover Pass are ongoing. At the same time, just like for hunters and anglers, products and access for recreational users must improve so that trails are easy to access and are well-maintained.

Recommendation 6 – Ensure Stability and Predictability of Hunting and Fishing License Costs and Other Fees. Once license fees for hunters and anglers are at a new baseline, there should be small, automatic annual or biennial increases tied to the consumer price

index or a similar index to ensure fees keep pace with inflation and compensation costs. A similar increase should also apply to any access or other fees. The Fish and Wildlife Commission should have the responsibility for reviewing these biennial increases and ensuring the inflation-index increase amount is warranted by actual program costs.

Recommendation 7 – Ensure Federal Partners Pay their Fair Share. DFW should pursue full federal funding for spending that results from federal mandates and requirements such as the Endangered Species Act and the operation of Mitchell Act hatcheries on the Columbia River.

WHO PAYS NOW?

All residents pay through general taxes, which go into the state general fund. In FY15-17 DFW spent \$93 million, or \$46.5 million a year from the general fund. If you divide this by the number of people in Washington, each person contributes about \$6.30/year.

Hunters and anglers pay through general taxes, through targeted Federal taxes on hunting and fishing gear and ammunition, and through license fees. In FY15-17 DFW spent \$29 million in Federal Pittman-Robertson and \$15.1 million in Federal Dingell-Johnson funding. Dividing these amounts by the total number of hunters and anglers equates to about \$81 per hunter per year and \$11 per angler per year. Hunters and anglers also must buy licenses and tags. In the FY15-17 biennium, hunting licenses generated \$22.95 million a year in revenue, or about \$127 per hunter/year. Recreational fishing licenses generated \$32.95 M a year in revenue, or about \$47 per angler/year. (Actual spending varies considerably depending on the license products each individual chooses to buy.) Commercial fishing generated \$1.7 million a year; however this revenue is deposited into the state general fund and is not allocated to DFW.

People who access DFW lands and do not hunt or fish pay through general taxes and through purchase of the Discover Pass. A Discover Pass costs \$35/year/vehicle and is transferable to up to two vehicles. DFW receives 8 percent of Discover Pass revenue, which equates to approximately \$3.6 million per year.



Additional Recommendations

Additional recommendations are intended to support sustainable long-term funding by ensuring the efficacy of DFW operations and promoting meaningful engagement with stakeholders.

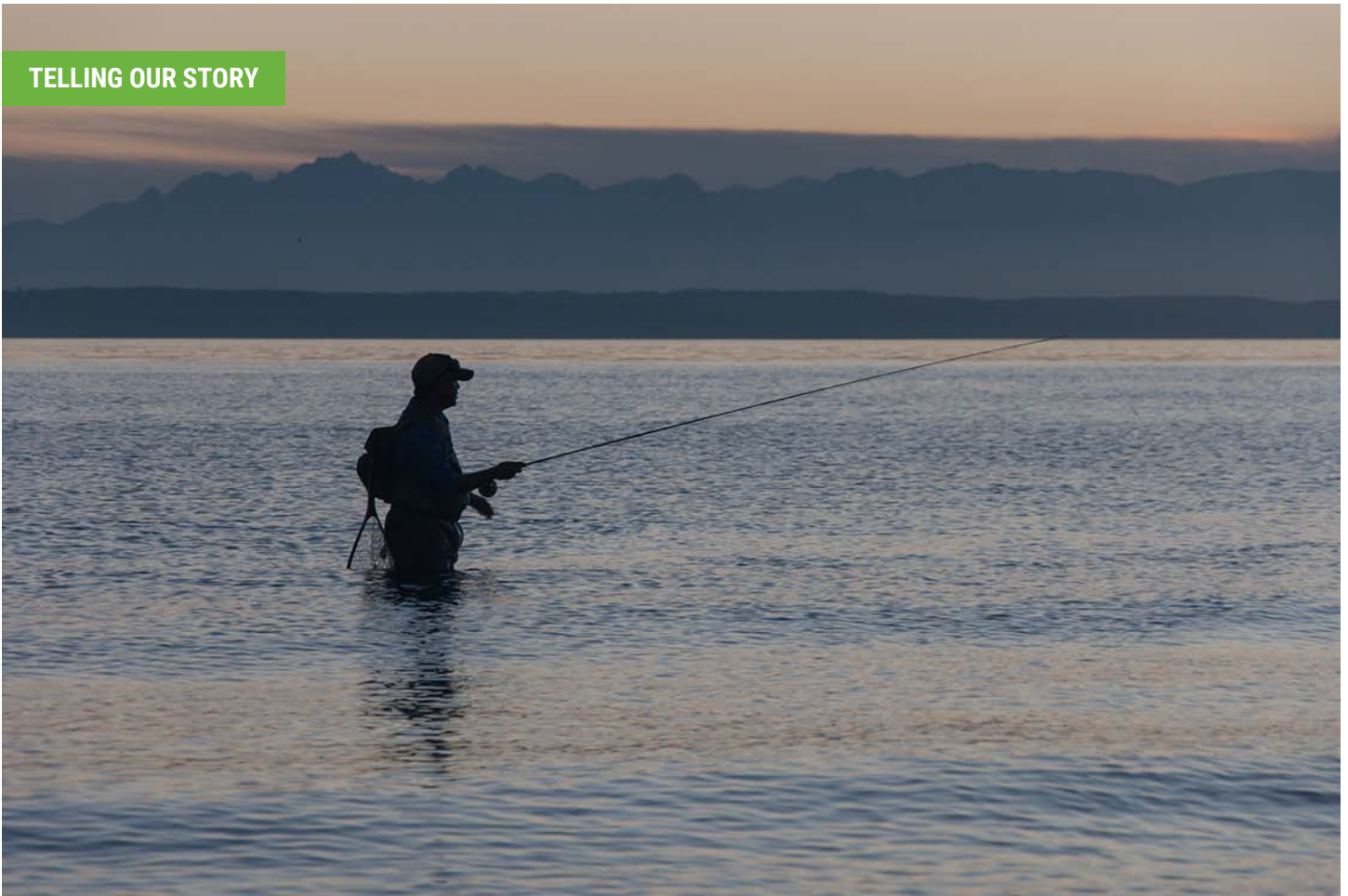
Recommendation 8 – Organizational Efficiencies Report. DFW should implement recommendations related to management structure and decision making, and organizational structure contained in the Organizational Assessment of Operational and Management Practices report. Many of these recommendations will require additional resources to implement. Successfully addressing recommendations dealing with improvements to strategic planning, performance management, and external communications is particularly important.

Recommendation 9 – Streamlining Shared Responsibilities and Administrative Requirements. DFW should evaluate its interagency agreements and shared responsibilities with other state agencies, federal, tribal, and local partners with a view toward identifying opportunities for streamlining work, clarifying and streamlining regulations and requirements, and other efficiencies that could be gained without sacrificing environmental protection or conservation values. Lean process improvements may create an appropriate model for these evaluations. One of the initial steps should include evaluating the Fish and Wildlife Code of the State of Washington, Chapter 77 Revised Code of Washington, to identify reporting or other administrative provisions that may be out-of-date and no longer needed.

Recommendation 10 – Strategic Planning. Over the next year, DFW should undergo a strategic planning effort. This planning should engage partners and stakeholders in coming together around a long-term vision for fish and wildlife conservation in Washington that recognizes the broad benefits of effective conservation to all residents and seeks to improve opportunities and services for hunters, anglers, and those who recreate on Department-owned lands. Planning should identify specific goals and performance measures for each of the outcomes identified in the recently completed Zero-Based Budget exercise and should describe how quickly goals can be achieved under the current funding scenario.

Recommendation 11 – Public Engagement. DFW needs to do a much better job engaging Washington residents in fish and wildlife conservation and listening to users. Ongoing public engagement planning and implementation of the resulting plans should be a high priority and should ensure understanding concerns and goals of users and all Washington residents relative to fish and wildlife and provide opportunities for engagement in DFW planning and priority setting.

Recommendation 12 – A Sustainable and Long-Range Vision for State Lands. The Legislature should direct state agencies responsible for stewardship and maintenance of public lands to look across these responsibilities and develop recommendations for streamlining and consolidating work where appropriate, eliminating duplication, increasing efficiency, and improving access and user satisfaction across all user groups.



INVESTING IN ENFORCEMENT AND HATCHERIES

“The fifteen independent chapters of Puget Sound anglers have spent thousands of hours volunteering at hatcheries, organizing kids’ fishing events, and educating anglers on release techniques to protect wild salmon, steelhead, halibut and rockfish. Given how much we have invested, we also want to recognize the importance of investments in enforcement and the hatchery mission of the agency.”

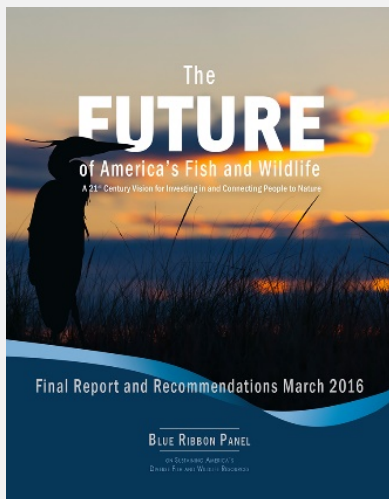
— Ron Garner, President Puget Sound Anglers, State Board

DFW enforcement and hatchery workers are putting in the time and effort to conserve resources and increase production to ensure fishing opportunities for current and future generations. Protecting conservation gains is hard work and requires diligent effort, given that poaching means stealing hard won gains and investments that serve multiple, competing interests in the state. Funding for this work comes from a range of sources including the Capital Budget, Dingell–Johnson funds, the State General Fund, and commercial and recreational fees and licenses.

The Path to Sustainability

RECOVERING AMERICA'S WILDLIFE ACT – FEDERAL FUNDING INITIATIVE

In 2016 a group of 26 business and conservation leaders from outdoor recreation retail and manufacturing, energy and automotive industries, private landowners, education groups, conservation organizations, hunting and angling groups, and state fish and wildlife agencies recommended the U.S. Congress dedicate \$1.3 billion a year in existing revenue from the development of energy and mineral resources on federal lands and waters to support implementation of State Wildlife Action Plans to conserve species of greatest concern before they need more costly conservation measures required by the Endangered Species Act. The [Recovering America's Wildlife Act](#), currently in Congress, is the result.



IT WILL TAKE TIME TO ACHIEVE SUSTAINABLE FUNDING, BUT THERE ARE LEADERS TO FOLLOW, AND WE MUST BEGIN NOW

Washington State is not alone in the need to improve funding for fish and wildlife. Nationally, a Blue-Ribbon Panel on Sustaining America's Diverse Fish and Wildlife Resources made up of business and conservation leaders found that we are facing an impending fish and wildlife crisis. They recommended a federal investment of \$1.3 billion from existing revenue from development of energy and mineral resources to fund state Wildlife Action Plans.

Four states (Arkansas, Iowa, Minnesota, and Missouri) dedicate a portion of state sales tax to fish and wildlife, usually tied to a broader investment in recreation and public lands. Ten states dedicate a portion of real estate taxes to conservation-related investments. Seven states authorize bonds for investment in conservation and recreation. Virginia and Texas dedicate a portion of sales tax on sporting goods to public lands and, in the case of Virginia, fish and game enforcement.

Close to home, Oregon and California are in the midst of efforts to create more sustainable funding models for fish and wildlife conservation. Oregon is focused on using state income tax and wholesale beverage taxes. California just passed a major ballot initiative that authorized \$4 billion in general obligation bonds for state and local parks, environmental protection projects, water infrastructure projects, and flood protection projects.

A number of states have dedicated tax revenue that serves as a consistent and sustainable funding source for the work of DFW. Table 4 below provides a high-level comparison of other states fish and wildlife agencies dedicated funding sources.

In addition to dedicated tax revenue, a number of states, including Arizona, Colorado, Maine, and Oregon have dedicated a portion of the State's lottery revenue to the agency or department responsible for fish and wildlife. Revenue received by the department in these states ranges from \$0.6M a year to over \$23M a year.

Table 4. States with tax revenue dedicated to natural resource preservation and conservation and outdoor recreation

State	Source of Funding	Revenue Generation	Mechanism	Year	Activities Funded
Arkansas	Dedicated Sales Tax (1/8 of 1%)	\$28 M	Voter Initiative	1997	Conservation programs, including fish and wildlife activities
	Real Estate Transfer Tax (\$2.20 per \$1000)	\$27 M distributed in 2018	Legislation	1987	Projects that protect and maintain state-owned natural areas, historic sites, and outdoor recreation
California	General obligation bond	\$4.1 B	Ballot measure	2018	Natural resource conservation and resiliency; Parks and recreation; and water-related activities including flood protection, groundwater recharge and cleanup, safe drinking water, and water recycling
Colorado	Severance Tax (Tax on production or extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal)	\$4.2 M	Legislation	1997	Revenue supports the activities of the Colorado Parks and Wildlife Department.
Florida	Real Estate Transfer Tax (33% of existing Documentary Stamp Tax)	\$36 M	Voter Approved Amendment	2014	Conservation and protection of drinking water, rivers, lakes, coastal waters, natural areas, and wildlife habitat
Iowa	Dedicated Sales Tax (3/8 of 1% of the next sales tax increase)	Currently unfunded	Voter Approved Constitutional Amendment	2011	Natural resource and outdoor recreation needs
Maine	Bonds	Unknown	Referendum	1987	Purchase of land and easements for conservation and outdoor recreations
Maryland	Real Estate Transfer Tax (1/2 of 1%)	Unknown	Legislation	1969	Open space and recreation development
Minnesota	Dedicated Sales Tax (3/8 of 1%)	\$86.1 M	Voter initiative	2008	Restoration, protection, and enhancement of lands and water for fish, game, and wildlife
Missouri	Dedicated Sales Tax (1/8 of 1%)	\$117.1 M	Voter-passed constitutional amendment	1976	Supports activities of the Missouri Conservation Department
Nevada	Bonds	Up to \$200 M	Voter initiative	2001	Preserve water quality; protect open space, lakes, rivers, wetlands and wildlife habitat; and restore and improve parks, recreational areas, and historic and cultural resources.
New Jersey	Corporate Business Tax (4% through 2019, then 6% in perpetuity)	\$100 M	Voter initiative	2014	Preservation programs and other critical environmental programs including watershed management, underground storage tanks, brownfields, and public pollution cleanup

State	Source of Funding	Revenue Generation	Mechanism	Year	Activities Funded
Ohio	Bonds	\$400 M	Voter initiative	2000 & 2008	Brownfield revitalization, farmland preservation, green space conservation, and recreational trails
Pennsylvania	Bonds	\$547.7 M	Legislation	2002	Preserve farmland; protect open space; eliminate maintenance backlog in state parks; cleanup abandoned mines and restore watersheds; fund recreational trails and parks; address land use issues; provide new/upgraded water and sewer systems
Tennessee	Real Estate Transfer Tax	\$16.5 M	Legislation	2011	Recreation and conservation including grant lands acquisition, local parks and recreation, and wetlands & clean water
Vermont	Real Estate Transfer Tax (50% of total Property Transfer Tax revenue received by the state)	\$15.3 M	Legislations	1987	Land conservation for recreation, natural areas, and affordable homes/apartments
Virginia	Sporting Good Tax	\$13 M	Legislation	2000	Supports activities of the Department of Game and Inland Fisheries, with a specific earmark for the cost of law enforcement, and purchase, construction, maintenance, or repair of DFW's capital assets

Stakeholders are coming together to demand change.

The ability of the DFW Budget and Policy Advisory Group to come together around the findings and recommendations made in this report demonstrates that when the stakes are high – as they are now – stakeholders in Washington can come together to protect the fish, wildlife, and natural lands that are both our heritage and our future. Now is the time for the Legislature to act to ensure we pass on thriving fish and wildlife resources to future generations.

In 2019 DFW will bring forward a set of legislative proposals designed to maintain current services and make a down payment on the investment needed to get fish and wildlife conservation on a sustainable path. This will include approximately \$31 million to maintain current services and an additional \$28 million to make a down payment on the investment needed to get fish and wildlife conservation on a sustainable path. DFW will ask for three-quarters of this funding from the state general fund (a broad-based source of revenue) and the remaining quarter from a 15 percent increase in hunting and fishing licenses. To ensure the most avid sports persons are not priced out, bundled license packages will establish, essentially, a cap on fee increase of \$7 for fishing and \$15 for hunting. Supporting proposals will make the Columbia River Salmon and Steelhead Endorsement, currently scheduled to expire in June 2019, permanent, preserving \$3.3 M of revenue from that source, and provide give the Fish and Wildlife Commission the responsibility to raise fees in the future consistent with inflation and cost of living increases established by the legislature. When the budget requirements for emergency and legally required maintenance costs are added, the total DFW budget request for 2019-21 is anticipated to be \$67 million. Support for this package is a critical first step.

At the same time it takes the first steps toward long-term sustainable funding, DFW will engage in a visioning and strategic planning effort with the Budget and Policy Advisory Group. This visioning and planning exercise will inform future thinking and provide an opportunity to update this plan. DFW is committed to continuing to work with stakeholders and the public to put the Department – and its funding – on a firm path to successfully conserve the full array of fish, wildlife, and natural land on which they depend, and ensure the benefits they provide to all Washingtonians.





THE IMPORTANCE OF FORESTS AND PARTNERSHIPS WITH FOREST LANDOWNERS

“Forests are vital for wildlife and for people whose jobs and lifestyles depend on natural resources, and well managed working lands work for both outcomes. The Washington Department of Fish and Wildlife demonstrates good sense when it works as partners with forest landowners across the Cascades and Olympic Peninsula on conservation initiatives that decrease the need for regulation, keep working lands working, and help conserve species.”

— Jason Callahan, government relations director, Washington Forest Protection Association

The Washington Forest Protection Association works to protect and enhance the values of sustainable working forests. The association, working with DFW and other state and federal entities, encourages forest landowners to adopt conservation measures that protect species, avoid future endangered species listing, and preserve local job opportunities. Recognizing both economic and ecological values of forested lands, DFW has built its capacity to work with forest landowners through incentive-based programs that assist small forest landowners with correcting their fish passage barriers for the benefit of salmon, steelhead, and people throughout the state. These management efforts are funded with State Wildlife Grants, federal funding, partnerships and Washington’s capital budget.



APPENDICES

Appendix A

Appendix A: WDFW 2017-19 Operating Budget Outreach Plan

Update – April 23, 2018

A proviso in the 2017-2019 state operating budget requires the Washington Department of Fish and Wildlife (WDFW), in consultation with the Office of Financial Management (OFM), to develop a long-term plan for financial stability that includes options for spending reductions, operational efficiencies, and additional revenues. The proviso directs WDFW to develop an outreach plan to provide information and solicit input from the public, department stakeholders, the state Fish and Wildlife Commission, and members of the Legislature.

This document describes the outreach initiatives that began in September 2017 and will continue through September 2018 to support the long-term funding plan. This document is one element of a larger, agency-wide communication plan being developed for the remainder of the 2017-19 biennium.

Outreach Goals

WDFW has three primary goals for outreach related to the budget proviso:

1. Provide clear and concise information about current WDFW activities and funding to build trust and awareness among key stakeholders.
2. Generate discussion and ideas about who should pay for WDFW programs and services in the future.
3. Solicit public input and engagement that will lead to support for the department's funding and policy proposals to the Governor and Legislature.

Target Audiences

The proviso specifies that outreach should engage the public, stakeholders, the Fish and Wildlife Commission, and members of the Legislature. In addition, WDFW will work with tribal nations on a government-to-government basis and through coordination with tribal natural resource consortiums.

Outreach Methods

- **Promotion of Budget and Policy Advisory Group (BPAG) activities.** The 20-member advisory group includes representatives of many key stakeholder groups. All advisors are expected to inform members of their interest groups and share those members' input during the BPAG meetings. Five meetings are scheduled; all are open to the public and include opportunities for public comment.

- **Commission meetings and workshops.** Presentations at commission meetings and focused workshops on selected topics will ensure the commission's full participation in development of the long-term finance plan. Discussions are planned monthly through September 2018 and as needed in the future. Commission meetings, usually broadcast on TVW, also offer opportunities for public updates and input.
- **Outreach to existing WDFW advisory groups.** The Department manages more than 50 advisory groups, and the staff members who work with those groups are providing regular updates on the proviso work. Advisory group members' feedback will be solicited and relayed to the Director's Office.
- **Staff liaisons to outdoor groups.** WDFW has designated staff liaisons for various stakeholder organizations throughout the state. The intent is to improve WDFW's network and connections with organizations and their membership through more regular, consistent communication. In the summer of 2018, staff liaisons will conduct one-on-one discussions, along with BPAG members, about the proviso work products and 2019-21 legislative budget and policy proposals. Liaisons will relay feedback to the Director's Office.
- **Broad public engagement.** Broad engagement through online sources such as web portals, webinars, survey forms, or similar will be made available. Public meetings may be held.
- **Outreach to outdoor writers.** Several outdoor media writers regularly cover WDFW related activities. WDFW public information and budget staff will reach out to key reporters to ensure they understand the nature of WDFW's funding challenges and elements of the long-term plan, as well as the components of future legislative budget and policy proposals.
- **Quarterly legislative updates.** Beginning in fall 2017, WDFW has provided quarterly progress reports to legislative budget and policy committees. Committee work sessions and one-on-one briefings will be offered as proviso products are completed. The goal is to ensure lawmakers are informed before final products come to the Legislature for consideration in 2019. Legislative tours with lawmakers and committee staff will take place through the summer of 2018.
- **Director's bi-monthly bulletin.** Information on proviso activities will appear in the WDFW's Director's Update and Bulletin, which is distributed to about 50 advisory groups and hundreds of organizations.
- **Tribal engagement.** The Department will interact on a government-to-government basis with interested tribes to provide meaningful opportunities for them to influence and inform proviso work products. This will include briefings with the Northwest Indian Fisheries Commission, the Upper Columbia United Tribes, and the Columbia River Intertribal Fisheries Commission.
- **News releases, social media, and WDFW website.** Throughout this effort, WDFW will inform the public about its activities through website content, social media posts, and news releases. A website has been established to provide information regarding the proviso work and the 2019-21 budget development process.
- **WDFW agency communication and outreach plan.** A short-term agency plan is being developed to guide outreach and public information through the summer of 2019. Following the conclusion of the 2019 legislative session, the department will develop a five- to 10-year plan to describe WDFW's long-term strategies.

Timeline

Outreach activities will take place from September 2017 through September 2018, when the long-term funding plan is due to the Legislature. Beginning in September 2018, outreach and engagement will focus on legislative budget and policy proposals in addition to the long-term plan.

Outreach methods	2017				2018									
	S	O	N	D	J	F	M	A	M	J	J	A	S	
BPAG activities				X		X	X		X		X	X		
Fish and Wildlife Commission meetings	X	X		X	X	X	X	X		X		X	X	
Outreach to existing advisory groups										X	X	X		
Staff liaisons to outdoor groups										X	X	X		
Broad public engagement											X	X	X	
Outreach to outdoor writers													X	
Quarterly legislative updates	X				X			X			X			
Legislative tours and briefings	X		X		X	X	X	X	X	X	X	X	X	
Director's bi-monthly bulletin		X		X		X		X		X		X		
Tribal engagement			X	X		X				X	X			
News releases, social media, website	X	X	X	X	X	X	X	X	X	X	X	X	X	
2018-2019 WDFW communication and outreach plan and related activities										X	X	X	X	

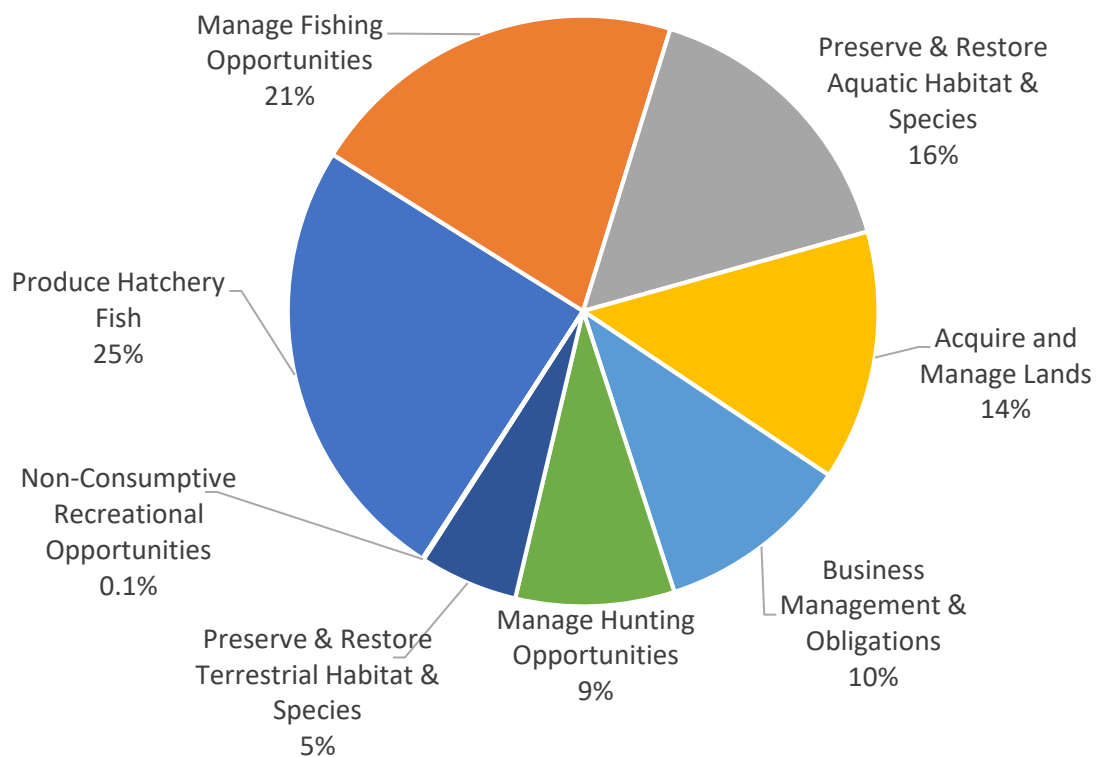
Appendix B

Appendix B: WDFW Zero-Based Budget Summary

As part of the 2017-19 state budget, the Legislature asked the Washington Department of Fish and Wildlife (Department) to conduct a zero-based budget (ZBB) analysis, SSB 5883, Sec. 307. To effectively complete this analysis, the Department distilled the complexity of work that occurs within the interconnected Washington State ecosystems into eight key mission-driven outcomes with 51 associated strategies. This representation of WDFW work is available on the WDFW website as an addendum to the proviso reports.

Where did the Department invest in the 2015-17 biennium?

*financial information includes operating, capital and interagency dollars



8 WDFW mission-driven outcomes	Total 2015-17 investments made (millions)
Produce Hatchery Fish	\$ 128.7M
Manage Fishing Opportunities	\$ 108.6M
Preserve & Restore Aquatic Habitat & Species	\$ 82.2M

8 WDFW mission-driven outcomes	Total 2015-17 investments made (millions)
Acquire and Manage Lands	\$ 71.9M
Business Management & Obligations	\$ 55.3M
Manage Hunting Opportunities	\$ 45.3M
Preserve & Restore Terrestrial Habitat & Species	\$ 28.0M
Non-Consumptive Recreational Opportunities	\$ 0.4M
Total	\$520.3M

Key zero-base budget findings¹⁵

- In the 2015-17 biennium, the Department acquired 91% of its funding from its four largest funding sources – Federal funding (28.5%), User fees (23.1%), State and local contracts (21.2%) and General taxes (17.9%). The remaining 9% is comprised mostly of specialized and background license plate sales and state bonds.
- The Department has limited flexibility in how it spends much of its funding. State, local and federal contracts and funding come with specific statements of work; federal funds, such as Pittman Robertson and Dingell Johnson, come with specific restrictions on where the money can and cannot be spent; dedicated accounts have specific work for which those funds can be spent; the state general fund comes with specific expectations from the legislature of work that will be completed. This restricts the Departments ability to redirect funds to shifting priorities.
- User fees, such as license dollars and Discover Pass purchases, provide only partial funding for management of fish and wildlife recreational and commercial opportunities. Other fund sources, such as federal, state and local contracts, pay for 77% of Department investments made in fishing opportunity management, 86% of costs for preserving and restoring ecosystems, 54% of investments to manage hunting opportunities, and 64% of the cost of maintaining business infrastructure.
- The Department invests the largest portion of its funding providing fishing opportunities with 46% of Department spending in the 2015-17 biennium made producing hatchery fish and managing fishing opportunities. Managing hunting opportunities accounted for 9% of the total agency spending, managing WDFW lands for hunting, fishing and conservation accounted for 14% of agency spending, preserving and restoring habitats accounted for 21% of agency investments and business management accounted for 10% of 2015-17 agency spending.
- The comprehensive work of the Department benefits non-consumptive recreational opportunities, though the Department currently invests very little in direct management or promotion of those opportunities. Those opportunities benefit passively from all work of the Department.

The full zero-base budget report and addenda can be found on the WDFW website, here.

Traditionally, the Department represented its work and the associated costs based on the WDFW administrative programs. As a result of this zero-base budget review, the Department has fundamentally changed the way they represent their work and associated funding. The Department is working with the Office of Financial management to align its budgeting with the eight WDFW mission-driven outcomes and 51 strategies represent the work the Department does in service to its mission.

¹⁵ Investment data was drawn from spending in the 2015-17 biennium and includes all funds from the operating budget, capital budget and funds from interagency agreements.

Appendix C

Appendix C: Independent Analysis of Organizational Efficiencies

Organizational Assessment of Operational and Management Practices

WASHINGTON DEPARTMENT OF FISH AND WILDLIFE



January 11, 2018

1. Executive Summary

The Matrix Consulting Group, Ltd. was retained by the Washington Department of Fish and Wildlife (WDFW or Department) to conduct an organizational assessment of the Department. The study was undertaken at the direction of the State Legislature as part of a budget proviso (Section 307(13), Chapter 1, Laws of 2017) that required the Department to undertake three areas of review:

- Development of a long-term plan to balance projected expenses and revenues by providing prioritized spending reductions and revenue enhancements;
- Identification and implementation of management and operational efficiencies; and
- Development of a zero-based budget review for the Department's proposed 2019- 2021 operating budget.

This organizational assessment addresses the second bullet point identified above requirement to identify management and operational efficiencies. In assessing the operational and organizational structure of the WDFW, several key themes were identified that need enhancement and focus in the future. These include the following major themes: greater involvement and oversight of the Commission in guiding and evaluating operations; increased focus on public input, public education of Department accomplishments and priorities; transparency of operations; and organizational structure modifications to enhance operational practices.

1. IMPETUS FOR THE ASSESSMENT AND METHODOLOGY.

During the 2017-19 biennial operating budget adoption, state lawmakers directed WDFW to complete three tasks to improve the department's long-term financial stability and operational efficiency:

1. Develop a long-term plan to balance projected expenses and revenues by providing prioritized options for spending reductions and revenue increases.
2. Identify and implement management improvements and operating efficiencies.
3. Conduct a "zero-based budget review" to accompany the department's proposed 2019-21 operating budget.

This report is focused on the second task, which as stated in the budget bill requires the following:

- (b) In consultation with the office of financial management, the department must consult with an outside management consultant to evaluate and implement efficiencies to the agency's operations and management practices. Specific areas of evaluation must include:
 - (i) Potential inconsistencies and increased costs associated with the decentralized nature of organizational authority and operations;
 - (ii) The department's budgeting and accounting processes, including work done at the central, program, and region levels, with specific focus on efficiencies to be gained by centralized budget control;

(iii) Executive, program, and regional management structures, specifically addressing accountability.

In conducting this assessment, the project team undertook the following activities leading to the development of this report:

- Conducted information gathering and data collection on current staffing and operational practices of the Washington Department of Fish and Wildlife. This included staff interviews (over 65 individual interviews with key staff throughout the organization including executives, managers and supervisors), interviews with all Commissioners, and collection of data from the various operating programs and units to understand workflow and workloads.
- A comparison of the operating practices and organizational structure of comparable state departments of fish and wildlife. The other states chosen were selected to compare to other agencies with similarities in programs and responsibilities to those of WDFW.
- A comparison to three State of Washington Agencies (the Parks and Recreation Commission, the Department of Ecology, and the Department of Natural Resources). During this comparison various aspects of operational practices, staffing allocations and centralization/decentralization was reviewed.
- Comparison to best practices, in administrative functions, seen in other publicsector agencies that would have applicability to the Washington Department of Fish and Wildlife.
- Periodic review meetings to review progress and discuss preliminary findings were conducted with the Department's steering committee which includes WDFW executives and representatives from OFM and the Governor's Office.
- A review of the draft report was presented to the Washington Department of Fish and Wildlife Commission during their December meeting.

This final report presented took into consideration all feedback received from the involved parties.

2. Washington Department of Fish and Wildlife Operating Environment.

The WDFW has a more complex operational environment compared to other fish and wildlife departments in other states due to the broad missions and programs that it oversees, the extensive commercial fishery operations, and the need to actively involve 29 federally recognized tribes in Washington, in addition to, out-of-state tribes with off-reservation hunting and fishing rights in the state of Washington as well as other key stakeholders of the department.

It should be noted that the Department spends significant effort coordinating its activities with the tribal entities in the state. Because the tribes are co-managers of fish and wildlife, they share responsibility with the Department for setting policies for the state’s various customer groups and stakeholders. Some Department staff dedicate a sizeable portion of their time to tribal affairs; Regional Directors routinely work with tribal leaders to address local concerns, and the Department has a tribal policy liaison dedicated to ensuring a strong working relationship with them. This level of effort is not required in many of the states that were used as comparatives.

The other state agencies studied varied considerably in size and sources of revenue. The largest was Minnesota (which includes other functions within their department that are not conducted by the Washington Department of Fish and Wildlife) with an annual budget of approximately \$500 million; the smallest was Arizona with \$117 million. The Missouri Department of Conservation benefits from a dedicated sales tax that provides income stability as well as autonomy in many budgeting decisions (expenditures of the dedicated sales tax revenues are not subject to state appropriation requirements and do not need to be approved by the legislature.)

Additionally, the funding approach utilized for the Washington Department of Fish and Wildlife distinguishes the Department from other States’ departments of fish and wildlife, in that it is more reliant on state general funds than most other entities.

It is important to note that the recommendations contained in this report are designed to address the immediate fiscal problems facing the Washington Department of Fish and Wildlife. There remains a potential long-term fiscal constraint facing the agency if declines continue in the traditional customer base which provide a significant revenue stream to the Department.

3. KEY RECOMMENDATIONS.

The following table summarizes the key recommendations contained within the report listed in order they appear in the report narrative.

Table of Recommendations
Budget Deficit Related
Develop and propose a phased approach to fee increases to the Legislature to help balance the State Wildlife Account.
Request the Legislature to adopt language allowing for annual increases to fees based on a cost factor (Cost of Living Adjustment or Consumer Price Index) as this is a best management practice.

Enact legislation that would separate the State Wildlife Account into its non-restricted and restricted funding sources to better enable the legislature and department to track expenses and revenues for each type of account.
Identify programs that are solely restricted revenue programs and balance those programs to their revenue sources.
Improve communications during the budget process, including explaining to the Legislature the consequences and impacts to the Department of new programs or initiatives that have no funding identified.

Table of Recommendations
Continue to ensure all administrative costs are appropriately calculated and charged to all funding sources through a cost allocation plan to effectively recapture costs of providing administrative services.
Request the Legislature to allow the Department to retain 100% of commercial license revenues, landing taxes, and related fees to support the direct and indirect operations associated with those programs.
Classify the services and programs that are currently funded through the General Fund State transfer.
Report revenues from the State Wildlife Account by restricted and non-restricted accounts.
Request the legislature to make the transfer from the State General Fund permanent and be based on a percentage of total non-restricted State Wildlife Account expenditures rather than a fixed dollar amount. This transfer will then be used to permanently fund and support activities and programs such enforcement, compliance, promulgation of hatcheries, and implementation of ESA, etc.
Management Structure and Decision-Making
Oversight and Leadership
The Commission should take a more active role in overseeing the Department and conducting administrative duties assigned to it such as: participating in the development of the Department strategic plan; evaluation of the Director; and development, approval and oversight of the Department budget.
The Department should maintain the current number of members on the EMT; however, the Chief Information Officer, Chief Financial Officer, Human Resources Director, and Budget Officer should attend when topics requiring their technical input are under discussion.
Organization and Management

All administrative divisions should ensure that policies are clear and promote consistency across the agency. There should be review and compliance mechanisms in place to ensure that policies are being followed at all levels of the organization.
The Regional Directors should play an active role in strategic planning by writing a section of the framing context for the document.
The Department should implement either an “Administrative Service Director” or “Deputy Director of Administrative Services” reporting to the Director.
The Human Resources Director should report to the new Administrative Services Director / Deputy Director position.
The number of direct reports for the Human Resource Director should be reduced to eight or fewer.
INTERNAL COMMUNICATIONS
The Department should implement a procedural checklist and point of contact for field staff when taking actions with a financial impact on the Department.
The videoconferencing tools in each region should be standardized.
The EMT should enhance efforts at communicating decisions reached to the entire organization to enhance understanding of Department priorities, changes in policy and ensure greater consistency throughout the organization.
Strategic Planning

Table of Recommendations
The strategic plan should incorporate concrete strategies and action steps in support of its stated goals and objectives.
The strategic plan’s goals and objectives should be supported by performance measures which can be tracked and reported upon.
The strategic plan should outline the trends and challenges facing the Department in each of its program areas and geographical regions.
The strategic plan should be developed using input from the Department’s stakeholders and tribal comanagers.
Information Technology Strategic Plan

WDFW should develop and implement a comprehensive IT strategic plan for the Department with defined priorities and time schedules.

Performance Measurement and Evaluation

Under the guidance of the Commission, specific objectives and action steps should be developed for the Strategic Plan in the way they currently are for the Director's Performance Agreement. To avoid duplication of effort, The Director's Performance Agreement should include the same criteria as the strategic plan and be similarly assessed.

The Director's Performance Agreement should be evaluated on an annual basis rather than a biennial basis to ensure that the Department's progress is regularly tracked.

Periodic reports on progress towards achieving the adopted strategies and objectives should be prepared and provided to the Commission, the Governor, the Legislature and the public. The Department should provide a web-based "dashboard" for displaying performance metrics and tied to real-time data and information.

External Communications and Public Education

The Department should designate and support regional representatives to focus on ongoing conversations and relationship-building with local stakeholders as part of the Wild Future initiative through the creation of a Regional Outreach Coordinator position.

The Department should implement new online public engagement tools to solicit a higher-quality of public input.

The input from local meetings and issue advisory groups should be formally included in the strategic plan as part of the framing context and used to prioritize the agency's goals and strategies.

The Department should use on-line public engagement tools to enable conduct of on-line meetings, on-line communications, and various survey methodology with the general public to reach an audience beyond their current most involved constituents at an estimated annual cost of approximately \$200,000 annually.

The Department should establish an outreach plan to prioritize messaging to customers and provide a framework for the use of appropriate technology.

The Department should develop a strategic vision for the Agency's outreach efforts and plan. Additional regional staff responsibilities for public outreach should be developed and implemented.

Table of Recommendations

ORGANIZATIONAL STRUCTURE REVIEW

IT should implement additional policies and procedures, including establishing service level agreements and establishing a Department-wide, to enhance internal control over IT operations and achieve cost reductions.
The Department should place greater emphasis on ensuring all employees have performance evaluations conducted in a timely manner.
Additional training should be provided to HR Generalists to enhance the level of consistency in enforcing policies across the Department and to enhance the quality of data in the HRIS.
The Department should conduct periodic spend analyses to identify services or commodities that could be procured for efficiently through establishment of master contracts or contracted bid prices.
Transfer the Fiscal Analyst 4, Fiscal Analyst 2 and Fiscal Analyst 1 from the Licensing Division of the Technology and Financial Services Program to the Fiscal Office of the Chief Financial Officer.
The Internal Auditor should be organizationally transferred from the Office of the Chief Financial Officer to the Office of the Director.
The Internal Auditor should not be permitted to be a member of a collective bargaining unit of which other Department of Fish and Wildlife employees are a part.
Budgetary Process
The Office of the Chief Budget Officer should initiate the development of standard budget policies for the Department.
Consolidate all Budget Analysts under the direction of the Chief Budget Officer in order to standardize approaches to budget development, tracking and reporting.
Procure and install a new enterprise resource planning system that replaces CAPS as a budget development tool, and is also compatible with the State's The Allotment System (TALS) and Budget Development System.
Administrative Staffing Level Assessment
Retain the current degrees of centralization and decentralization in WDFW Human Resources, Financial Services, Information Technology and Procurement/Contracts.
Transfer the Budget Analysts in the program areas of the agency to the Office of the Chief Budget Officer in order to achieve a greater degree of standardization over the mechanics of budget development, the use of master and project indices, and other advantages.
Retain the current level of staffing in the Procurement and Contracts Division.
Retain the current staffing levels of the Human Resources Division.

Retain the current levels of Information Technology staff.
Retain the current level of staffing in the Fiscal Services Division.

Each of these recommendations, and the supporting narrative, is discussed in detail in the following report.

2. Financial Overview – Budget Deficit Review

This section of the report provides an overview of operating budget and revenues for the Washington Department of Fish and Wildlife (hereafter WDFW or the Department) including history and account restrictions and presents an explanation for current funding shortfalls.

The WDFW has a highly complex budget that has dozens of revenue sources, many of which restrict spending to specific purposes. WDFW is primarily funded through user fees and reimbursable projects. State General Fund activities represent just 19% of the Department's authority. WDFW has been operating with a budget deficit, primarily within the non-restricted portions of the State Wildlife Account. The Department had to make several changes to its budget in order to balance the account for the current biennium. The following chapter provides a brief trend analysis of financials for the Department, a discussion of the deficit, and potential strategies to mitigate the deficit going forward.

1. BUDGET AND REVENUE TREND OVERVIEW

WDFW, similar to other agencies and organizations, has two different types of budgets – an operating budget and the capital budget. The WDFW capital budget refers to the expenditures associated with funding long-term facilities and infrastructure-related projects. The capital budget is annually updated by the Department to ensure all proposed expenditures are used to adequately fund the different projects through completion. The process for development and approval of the capital budget is clearly laid out with an identified prioritization system to ensure that projects are not left incomplete. As such, there are no deficits current or projected associated with the capital budget and it was not evaluated as part of this review of the Department's funding shortfall.

In order to obtain a clearer understanding of the Department's funding shortfall specifically associated with its operating budget, it is important to evaluate the trend of the Department's expenditure authority and funding sources. Expenditure Authority refers to the authorized budgeted expenditures for the Department for its different programs and accounts. Available funding for the Department refers to State appropriations, federal and other grant revenue, reimbursable project work, and license and other fee revenue assessed to users of the Department's services.

The project team primarily focused on evaluating the Department's finances over a span of the most recent six years to obtain a clearer understanding of the major changes in the Department's expenditure authority and financial gaps. However, to obtain a greater understanding of the historical context for certain funds, the project team reviewed information over a period of fourteen fiscal years. The data utilized in this section of the report was derived from sources including the Agency Financial Reporting System, Fund Balance Sheets, Expenditure Authority Schedule, the Control Authority Sheets, and the Budget Balancing Decision Model. The majority of this information is managed by staff in WDFW, with the exception of the Expenditure Authority Schedule for Operating Expenditures which

is owned and updated by the Office of Financial Management and the Agency Financial Reporting System (AFRS) which is the statewide accounting application.

The following subsections discuss the overall spending authority, the overall funding for the Department, and the structural deficit associated with the State Wildlife Account.

(1) Budget Analysis by Program and Funding Source / Fund Group

The project team analyzed the provided budget information based on the total authorized budget (known as Expenditure Authority) by program and fund group within the Department. This type of analysis provides a deeper insight into the major cost categories within WDFW. The following table shows for each of the three biennia, the total authorized operating budget by program.

Table 2.1 Biennial Control Authority by Major Program Category

Major Program	2013-15	2015-17	2017-19
Business Services Program	\$53,592,748	\$61,531,729	\$61,363,026
Enforcement	\$42,038,518	\$43,578,162	\$43,733,408
Habitat	\$42,449,638	\$47,207,567	\$48,706,255
Wildlife	\$73,800,604	\$80,056,758	\$80,838,144
Fish	\$154,733,912	\$169,924,514	\$177,610,475
CAMP (Capital Asset Management Program)	\$8,087,259	\$12,497,895	\$11,745,633
Un-Allotted Agency Authority	\$15,926,868	\$10,675,375	\$13,663,060
TOTAL	\$390,629,548	\$425,472,000	\$437,660,000

Table 2.1 clearly shows that the largest program in terms of authorized expenses is the Fish Program. The Fish Program comprises on average 40% of the total budget for the Department. The next largest portion of the budget for the Department is the Wildlife Program at 19%. It is also interesting to note the significant increases in budget between the 2013-15 biennium and the 2015-17 biennium in all areas, primarily due to federal authority and compensation changes.

(2) Primary Funding Source

The project team conducted an analysis of funding by major account / fund group. WDFW has a spectrum of funding sources available and some funding sources are restricted whereas others are unrestricted.

Restricted funding sources are those types of revenue streams that can only be used for activities identified and earmarked for those revenues. An example of this type of account is the WLS – Puget Sound Crab funding. Revenue is gathered from the sale of catch record cards carrying a Puget Sound Crab Endorsement (which is required to collect Dungeness crab in Puget Sound) and deposited in the State Wildlife Account. Per RCW 77.32.430,

revenue from the sale of this endorsement may only be spent by the Department for activities related to Dungeness crab recreational fisheries. The Department tracks the revenue and subsequent expenditures of the Dungeness Crab Endorsements as a separate, restricted balance within the State Wildlife Account.

Unrestricted funding sources enable the Department to utilize the funds based upon a needs assessment rather than stipulated restrictions. funds which are limited to specific activities that only benefit specific goals and user groups. Examples of unrestricted funds are the State General Fund and the non-restricted portion of the State Wildlife Account. WDFW’s federal and private / local contracts also frequently require State matching funds, which are often provided by these flexible funds due to the limitations placed on the restricted and dedicated accounts.

It is important to note that while some of these funding sources will be from the same fund (i.e. State Wildlife Account) they have been split apart to represent the difference between restricted (R) and non-restricted (NR) revenue sources. Table 2.2 lists by major account / fund group the total expenditure control authority, the proportion of overall funding associated with that account, and a brief description of the funding source.

Table 2.2: WDFW Primary Funding Sources

Account / Fund Group	Funding Type (R or NR)	2013-15 Control Authority	2015-17 Control Authority	2017-19 Control Authority	Description / Comments
Wildlife Account	NR	\$75,021,542 (19%)	\$82,272,582 (19%)	\$83,014,430 (19%)	Recreational fishing and hunting licenses, and interest generate the projected revenue for this portion of the Wildlife Account. Recreational license fee revenue is used to provide support to recreational angling and hunting opportunities. Commercial application fees support Licensing Division work related to processing commercial license applications.

Wildlife Account	R	\$28,182,458 (7%)	\$35,183,418 (8%)	\$35,018,570 (8%)	Funding comes from 25 sources that support a variety of activities established by specific legislative actions. Examples of these activities include wildlife conservation (both non-game and game species), lands access, hunter education, and Puget Sound crab recreational opportunities. Spending is restricted to specific purposes. Consequently, the positive balances in most accounts are very limited in their ability to help the Department manage its overall budget problem.
General Fund, State	NR	\$60,889,000 (16%)	\$77,197,000 (18%)	\$93,343,000 (21%)	Flexible funding that can be used to pay for any cost. Funds cannot be carried forward and must be expended in the fiscal year in which they are appropriated.
Account / Fund Group	Funding Type (R or NR)	2013-15 Control Authority	2015-17 Control Authority	2017-19 Control Authority	Description / Comments
General Fund, Federal	NR	\$117,191,299 (30%)	\$122,151,000 (29%)	\$118,809,000 (27%)	Funding in this account are associated with federal block grants and other reimbursable projects. These fund sources typically have contractual constraints on fundable activities, which limits the Departments flexibility.
General Fund, Private / Local	NR	\$58,322,000 (15%)	\$61,887,000 (15%)	\$63,920,000 (15%)	Funding in this account is associated with reimbursable projects for private organizations and local government jurisdictions. As such, expenditures are restricted to the specific activities in the agreements with other organizations.

Other WDFW Managed Funding	R	\$31,121,249 (8%)	\$29,272,000 (7%)	\$28,196,000 (6%)	Various other sources from 20 separate accounts (including recreational endorsements and license fees) that support recreational opportunities and wildlife conservation. Examples of the activities these other sources support include purchasing of enforcement equipment, wolf management, aquatic invasive species management, wildlife rehabilitation centers, and Hydraulic Project Approval Permit application work.
Other Non-WDFW Managed Funding	R	\$19,902,000 (5%)	\$17,509,000 (4%)	\$15,359,000 (4%)	Other sources such as the Aquatic Lands Enhancement Account (which has been used to replace state general fund primarily in fish hatchery production). Off-Road Vehicle Account used to provide access and enforcement on wildlife areas. Environmental Legacy Stewardship Account also used to replace state general funding related to environmental protection. Motor Vehicle Account appropriated in the Transportation Budget to support the mapping and evaluation of fish passage barriers.
Total		\$390,629,548	\$425,472,000	\$437,660,000	

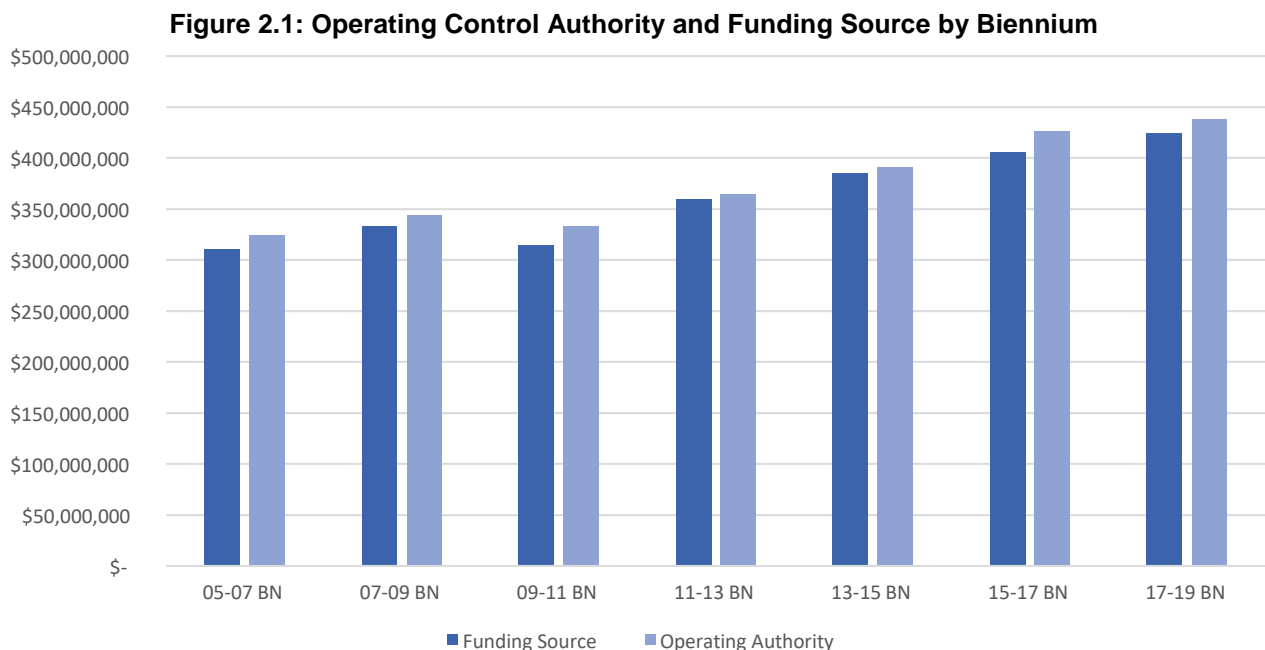
Table 2.3 clearly shows that there is a pattern of increasing control authority in most fund groups. The important distinction to make between these different fund groups is that the State Wildlife Account and Other WDFW Managed Funding are supported by licenses and other WDFW managed revenue, while General Fund State and Other Non-WDFW Managed Funding rely on taxes and other statewide fees. General Fund Federal and General Fund Private Local have revenue based on federal grants and contracts with public utility districts, local businesses and non-profits.

Hunting and fishing license fees have not increased since the 2011-13 biennium, and revenue from these fees (the primary source of funding for the Non-Restricted portion of the State Wildlife Account) has remained fairly static. However, the Non-Restricted Wildlife State

Account expenditure control authority has increased by \$12.2 million since the 2011-13 biennium, without a corresponding increase in revenue. Since the Department does not have the funding to support this authority, it must utilize fund balances and reserves or spending cuts, which impacts its ability to serve Washingtonians. The Non-Restricted State Wildlife account balance will be almost entirely spent by the end of the 2017-19 biennium, and the Department will be forced to take much more significant reductions in the 2019-21 biennium.

(3) Overall Budget and Funding Analysis

Based upon the operating authority information provided in the two previous subsections, the project team conducted an overall control authority and funding source analysis for WDFW. The following chart shows the comparison between the operating expenditure authority for WDFW against all of its funding sources for the past seven biennia.



As Figure 2.1 indicates the operating expenditure control authority for each biennia is always greater than the available funding. To further analyze the information in the chart the project team also presented the information in a tabular format, which lists the operating expenditure control authority, the available funds, the net impact, and the overall cost recovery for the Department.

Table 2.3: Operating Authority Net Impact by Biennium

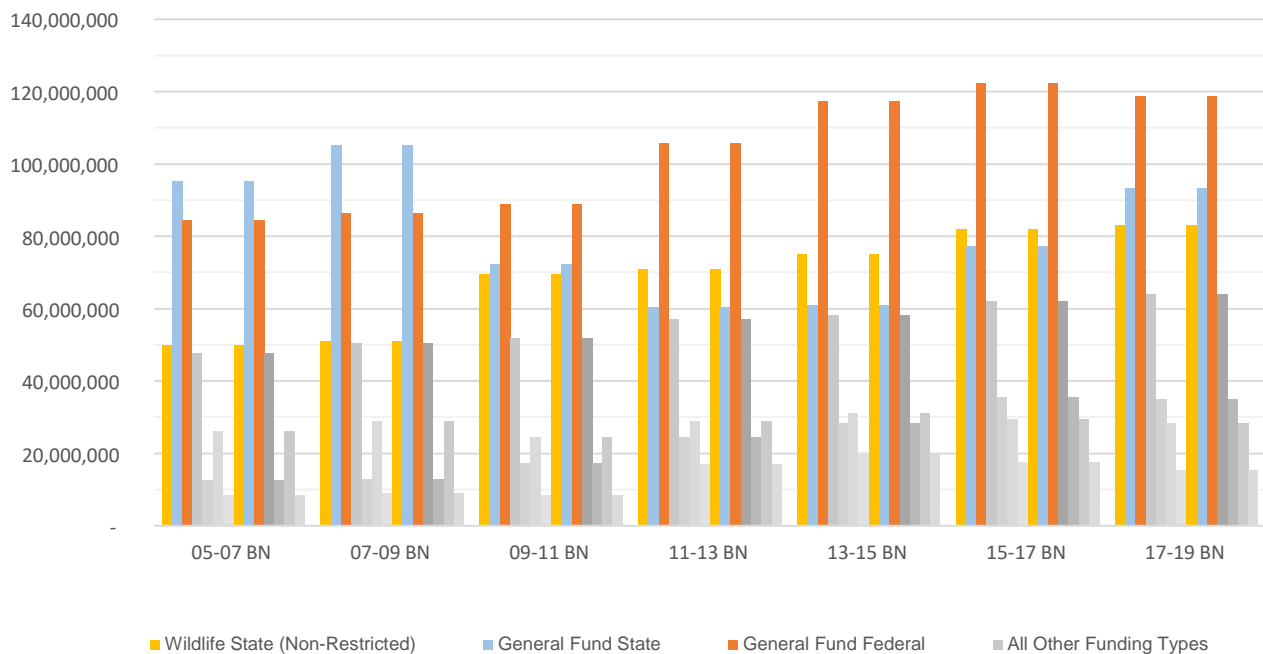
Biennium	Available Funds	Control Authority	Surplus / (Deficit)	Cost Recovery
2005-07	\$310,830,895	\$324,606,580	\$(13,775,685)	96%
2007-09	\$333,214,384	\$343,939,677	\$(10,725,293)	97%

2009-11	\$314,083,483	\$332,940,534	\$(18,857,051)	94%
2011-13	\$359,897,325	\$364,326,902	\$(4,429,577)	99%
2013-15	\$384,749,616	\$390,629,548	\$(5,879,932)	98%
2015-17	\$405,273,378	\$425,472,000	\$(20,198,622)	95%
2017-19	\$423,981,918	\$437,660,000	\$(13,678,082)	97%

As Table 2.4 shows the deficit impact for the Department varies from a low of \$4.4 million (which was immediately following the passage of license fee increases) to a high of \$20.2 million. This is a significant funding shortfall that has a dramatic negative impact on the Department’s ability to serve its constituents and fulfill its obligations to stakeholders.

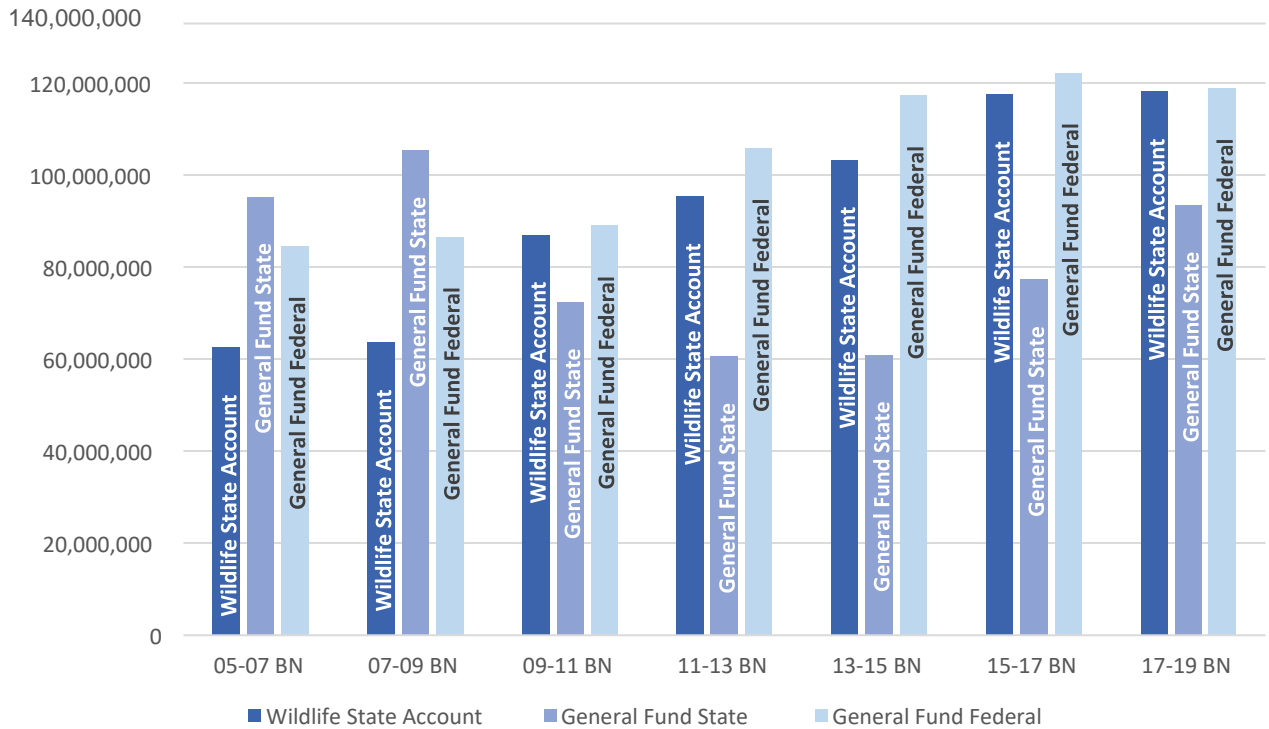
The project team evaluated the change in the funding sources for the last ten years for the Department as shown in Figure 2.2.

Figure 2.2: Change in WDFW Funding Sources by Biennium



As Figure 2.2 indicates there has been a significant change in funding sources over the last ten years. There has been a decline in reliance on the State General Fund and an increase in the reliance on the General Fund Federal. To better illustrate this shift and decline among the different types of funding sources, Figure 2.3 below shows this difference by focusing only on three funding sources: State Wildlife Account (Restricted and Non-Restricted), State General Fund, and General Fund Federal.

Figure 2.3: Change in WDFW State Wildlife Account, State General Fund, and General Fund Federal by Biennium

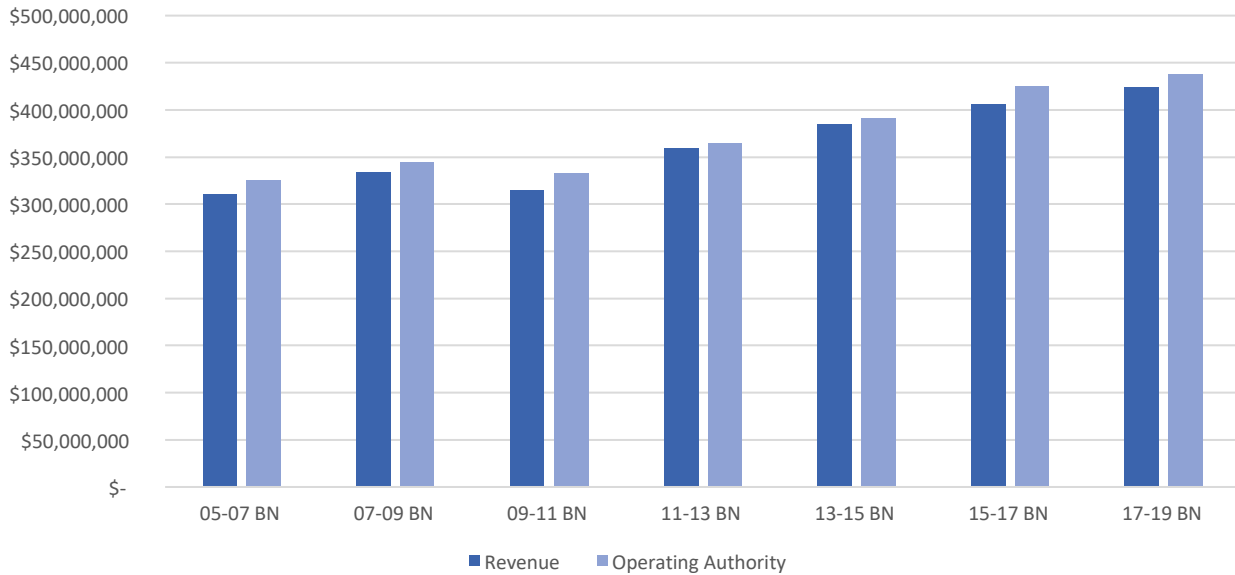


As Figure 2.3 demonstrates, the General Fund State was the largest source of funding between the three accounts in 2005-07 biennium; however, as time passed it slowly started declining, while the General Fund Federal amount increased every biennium. In 2005-07 biennium, the State General Fund comprised approximately 29% of the total expenditures associated with WDFW; however, in 2015-17 biennium this proportion had declined to almost 18% of the total expenditures. The primary reason for the significant increase in General Fund State in the 2017-19 biennium, is due to the one-time transfer from the State General Fund to the Wildlife State Account.

Even though there does seem to be a significant increase in General Fund Federal reliance, the overall percentage of expenditure control authority associated with WDFW has stayed constant over the past seven biennia. Therefore, as costs have increased for WDFW, the General Fund Federal funding source has followed those funding increases to continue to match the cost increases associated with managing those programs and activities supported by General Fund Federal.

Additionally, there has been an increase in the reliance on the State Wildlife Account (nonrestricted) after the recession in the 07-09 Biennium. Therefore, in order to evaluate the impact on the State Wildlife Account (non-restricted) the project team compared the total of funding sources to the total expenditure control authority for that account.

Figure 2.4: Operating Authority and Revenue by Biennium for Wildlife Account (Non-Restricted)



The chart illustrates the gap between the expenditure control authority and funding (revenue) for the State Wildlife Account. Significant gaps between revenue and expenditure control authority first occurred in the 2009-11 biennium and then reemerged over the last two biennia. To further quantify this problem, the following table shows control authority, revenues / funding source, net impact, and variance level by major budget category.

Table 2.4: Net Impact by Biennium for Wildlife State Account (Non-Restricted)

Biennium	Revenue	Control Authority	Surplus / (Deficit)	Cost Recovery
2005-07	\$49,333,749	\$49,907,683	\$(573,934)	99%
2007-09	\$54,038,869	\$50,819,327	\$3,219,542	106%
2009-11	\$59,908,776	\$69,571,194	\$(9,662,418)	86%
2011-13	\$73,252,624	\$70,815,416	\$2,437,208	103%
2013-15	\$77,227,046	\$75,021,542	\$2,205,504	103%
2015-17	\$74,251,487	\$82,022,582	\$(7,771,095)	91%
2017-19	\$75,611,373	\$83,014,430	\$(7,403,057)	91%

Based on Table 2.4 it can be seen that the increased reliance on the State Wildlife Account (non-restricted) did not become an issue until the 2015-17 biennium, the biennium in which there was a Cost of Living Adjustment (COLA) increase that was not supported by any fee increases. Therefore, additional cuts and budget management strategies were required for the 2017-19 Biennium and will continue to be required in future biennia.

The essential challenge faced by WDFW is that costs are rising while growth in funding is not keeping pace in the State Wildlife Account (Non-Restricted). A variety of initiatives were used to balance the 2017-19 budget. Many of these initiatives were stop-gap in nature and are not suitable for sustaining the agency in the long-term. Thus, WDFW will need to secure new revenue or face significant reductions in the 2019-21 biennium.

2. ANALYSIS OF BUDGET DEFICIT

WDFW's Central Budget Office began forecasting a budget deficit in the State Wildlife Account in 2013, with a budget request developed in summer of 2014 for the 2015 session. WDFW cannot spend more than actual revenue available so when revenues are low, expenses must be cut or reserves spent even though Legislature has approved a higher level of expenditure.

As information in this section has indicated, there is a structural deficit that exists for the State Wildlife Account. The following points explain some of the key factors that resulted in the structural deficit arising, including increasing expenses, especially as it affected the State Wildlife Account, as well as changes to revenue sources:

- **Cost of living adjustments:** The Cost of Living Adjustments to the programs was the largest contributor of the structural deficit. Due to the sheer size of staffing levels of WDFW, any changes to salary and benefit costs, even without any personnel changes, there is a significant impact on costs for the agency. There are two different factors that affected salary and benefit adjustments – a classification and compensation study and the cost of living adjustment approved by the legislature – that directly resulted in increased costs for the Department:
 - A classification and compensation study lead by the Governor's Human Resources Office resulted in cost of living increases to salaries and benefits from the 2015-17 Biennium (4.8%) and targeted salary adjustments to many positions as there were no increases during the recession. COLA salary increases also raised benefit costs).
 - The legislature enacted a 6% cost of living adjustment, over two years for the 2017-19 biennium, in specified increases for all state employees (2.0% in FY1, 2.0% in the first 6 months of FY2; and the remaining 2.0% in the last 6 months of FY2 for the 2017-19 Biennium) prior to the start of FY2017. These increases also included associated benefit cost increases. This information came to State agencies after they had developed their budget requests for the 17-19BN in summer of 2016. Ultimately, the legislature authorized the classification adjustments in the last two biennial budgets.
- **No Changes in License Fees:** License fee increases and other revenue generating approaches were incorporated into the Department's requests, but not all of them were approved by the Legislature. Recreational license fee increases were not approved at all (other than an extension of the Columbia River Salmon and Steelhead Endorsement), while there was only a minimal increase approved for the commercial license fees. Not only did the legislature not approve some fee increases, but also the retention of revenue associated with fee increases is not always approved. Therefore, there were no revenue increases to offset the increases in costs related to personnel

and as such this was the second largest contributing factor to the structural deficit for the State Wildlife Account.

- **Increased Requirements of Programs:** There were also increased costs related to the operation of state fish hatcheries necessary to meet the requirement of the Endangered Species Act (ESA). These costs were included in requested legislation to increase license fees. This was a less significant factor in contributing to the structural deficit.
- **Approval of Additional Decision Packages:** Some new spending proposals (known as Decision Packages) in response to input WDFW received during stakeholder outreach meetings were adopted by the Legislature, which resulted in increased spending authority, without the necessary funding to offset those costs (such as inflation, cost of fish food, etc.).

As shown above a variety of elements contributed to the Department’s budget deficit. These elements ultimately increase the Department’s costs and associated spending authority. However, the Department can only increase spending if there is additional funding already in place to offset those increases. Therefore, the primary issue with the structural deficit stems from costs that were increased without an associated increase in ability to generate revenue or have supplemental funding as provided by the Legislature in 2017-19.

3. ACTIONS TAKEN TO ADDRESS THE BUDGET DEFICIT

The project team specifically evaluated strategies employed by the Department in one fiscal year to address the structural deficit issue to better understand the tools available to the department. The purpose of this section is to highlight the specific cost savings and enhancements that were taken by WDFW to address their budgeting shortfall, and the potential for sustainability associated with the use of such measures.

Once the Legislature adopted the 2017-19 biennial budget on June 30, 2017, the Department used a variety of strategies and actions to bring its budget into balance for the current biennium, especially as it relates to the State Wildlife Account. The actions taken to address the shortfall are summarized in the following table:

Table 2.5: Strategies for Addressing Deficit Shortfall in Wildlife Account

Action	Amount
Total Initial Operating Authority – 17-19BN	\$85,314,430
Use of WLS-Restricted & Dedicated (One-Time)	\$2,300,000
Allotted Operating Authority – 17-19BN	\$83,014,430
Revenue Plus Fund Balance	\$80,896,680
Initial Deficit	(\$2,117,750)
One Month Working Capital Reserve	\$3,230,540

Initial Deficit + Working Capital Reserve	(\$5,348,290)
Operating Budget Enhancements	\$2,200,000
Management Reduction	\$338,000
Total Deficit for State Wildlife Non-Restricted Funds	\$(7,886,290)
One time General Fund Appropriation ¹⁶	\$8,946,000
Updated Funding Total	\$1,059,710
Action	Amount
Budget Additions related to program requirements (ESAs, COLAs, etc.)	\$12,130,000
New Balance	(\$11,070,290)
Budget Reductions – cost savings	\$5,777,000
New Balance	(\$5,293,290)
Program Proportionate Admin Funding	\$1,057,460
Estimated Variance in Flexible Funds	\$4,500,000
Total Projected Surplus / (Deficit)	\$264,170

The Legislature appropriates control authority for the entire State Wildlife Account and the Department allocates this authority to its various sub-accounts based on established formulas and methodologies. Table 2.7 starts with the initial operating authority allocation of \$85.3 million to the non-restricted portion of the account. However, the Department realized that there was not enough funding (i.e. license and other fee revenue) available to support this level of expenditure. Consequently, the Department’s first budget control action was to shift some employees (and related costs) engaged in non-restricted account activities to restricted accounts where this was feasible and where the work matched the restricted fund purposes. This action resulted in the control authority for the non-restricted portion of the State Wildlife Account being reduced to \$83,014,430, which is the figure used throughout this report.

In addition, WDFW utilized a variety of strategies to address the budget shortfall, these included dipping into the fund balance, utilizing a one-time transfer, and additional budget cuts and use of alternative funding sources. The Department had limited options to balance the budget because of legislative direction in the budget to keep hatcheries open and avoid negative impacts to recreational fishing and hunting opportunities.

Employing the strategies listed in Table 2.7 results in a projected surplus of \$264,000. This represents approximately 0.32% of the overall spending authority for the non-restricted State Wildlife Account, and therefore is within the margin of error associated with rounding errors.

Based upon the project team’s analysis, the Department’s budget problem solving process and results were both appropriate and effective in addressing the situation, while also reflecting the limited resources available to the department for addressing this structural deficit.

¹⁶ The original one-time appropriation from the General Fund was for \$11.0 million. However, approximately \$2.0 million of those funds were transferred to other Department activities such as RFEG, Management, Wildlife Surveys, and Biodiversity to maintain those programs.

4. SUMMARY OF ADDITIONAL STRATEGIES TO MITIGATE BUDGET DEFICITS

The project team has validated that a structural deficit (gap between spending authority and revenues) exists for the State Wildlife Account. This structural deficit is associated with both restricted and non-restricted portions of the State Wildlife Account.

Some restricted accounts that are in danger of developing deficits are: Firearm Permits, Elk Auction / Raffle, Endangered Species Plates, Non-game Personalized Plates, Surplus Property, and WILD Transaction Fee. As these are restricted accounts, the source of the deficit is due to increased expenditures not matched by the identified revenue source. Each restricted account would have to be evaluated on its own as the funding sources vary so greatly to determine possible ways to counteract the lower revenue streams. For example, the Firearm Permits program is funded by three dollars from the ten dollar late fee issued with Firearm permit license renewal fees. Therefore, the only way to increase the funding source would be to encourage late renewals of firearm permits, or raise the fine associated with the firearm permit renewal late fee, to increase the proportion of dollars that are received by the State Wildlife Account.

The principal cause of the deficits within the State Wildlife Account is that costs are increasing at a faster pace than revenues. The main cause of cost increases are legislatively approved salary adjustments through collective bargaining agreements to some under paid job classifications and across the board cost of living increases approved for the last two biennia. Since the State Wildlife Account is primarily financed through the sale of hunting and fishing licenses as well as associated fees, these revenue sources cannot remain static while costs increase. As there have been no fee increases the licensing revenue has remained stagnant and is projected to remain stagnant.

The actions taken at the start of this biennium to balance the budget were mostly one-time, stop-gap, and, therefore, not sustainable. The legislature has indicated that the additional \$10 million state general fund support is only to occur one-time. The Department needs to develop strategies to ensure the long-term health of the State Wildlife Account. These may include:

- Request that the Legislature raise licenses and other Department fees to pay for past and projected inflationary increases to agency operating costs with the support of license buyers. Consider utilizing a phased approach for fee increases to limit the issues and difficulties associated with significant fee hikes and increases to catch up to the need.
- Request that the Legislature include and adopt language that allows automatic inflationary increases in fees for WDFW to match spending authority. It is a best management practice to conduct comprehensive fee updates every 3-5 years in an agency and was a practice used by past Washington State legislatures. However, in the interim, it is a best management practice to approve built in fee increases to allow for gradual fee increases that enable the agency to remain at status quo for cost

recovery levels. These inflationary increases should at a minimum cover salary and other compensation adjustments, to enable the Department to continuously finance those increases through the use of fee-revenue. Since increases in license costs and other fees are directly tied to salary COLAs negotiated with collective bargaining units, approved by the Governor and Legislature, and included in the final budget, these increases are more understandable for elected officials and the public.

- Enact legislation that would separate the Non-Restricted and Restricted accounts within the State Wildlife Account into separate funds to enhance clarity in budget balancing decisions. This action will enable the Department to better explain to the Legislature and stakeholders that fee revenue collected for specific restricted purposes are being spent appropriately and not available to fund general Wildlife Account activities. Additionally, it will also highlight any structural deficit issues immediately as instead of there being one amount for the State Wildlife Account, there will be two different appropriations one for the State Wildlife Account and one for the State Wildlife Account – Non-Restricted. This will make it easier for the Department to manage the accounts and provide a fixed starting point for both types of funding.
- Work with the Legislature and stakeholders to explain the complexities inherent in the Department’s budget by mapping revenue directly to program activities; and explaining the impacts of rising costs not backed by revenue on service levels.
- Improve the budget process to ensure that any new expenditure requests coming from WDFW are accompanied not only by an explanation of the need for the increase in spending authority, but also of possible revenue sources in addition to State General Fund to offset those requests.
- Continue to ensure that administrative costs associated with the management of the department are appropriately allocated across all funds and accounts through the use of an internal full cost allocation plan. Currently, WDFW internally updates its plan annually; however, every five years the Department should contract with an external consultant to ensure compliance with federal guidelines and costing principles as well as to confirm that divisions, programs, and any and all contracted services are paying for their fair share of administrative costs.
- Identify the revenue collected from commercial licenses and commercial landing excises taxes and request the legislature to allow WDFW to retain 100% of those revenues to make those programs full cost recovery. Full cost recovery for these licenses includes covering the costs associated with direct staff processing and issuing licenses as well as the indirect costs associated with oversight of the staff processing those licenses as well as Department management associated with those programs. This will ensure that license revenue is being used to directly pay for the services being received by the license holders. This will have a biennial impact of retaining approximately \$1.8 million for the Non-Restricted Account.

- Classify the services and programs within the Non-Restricted State Wildlife Account that are funded by the transfer from State General Fund (GF-S). This will better help tie the revenue to the funding sources, as well as identify the programs that should continue to be funded through the State General Fund. Generally, activities such as enforcement and compliance with hunting and fishing licenses, development and management of commercial fishers, as well as implementation of state and federal programs (i.e. ESA) should be supplemented through the general fund.
- Request the Legislature to make the one-time transfer from the GF-S permanent every biennium. This supplemental funding should be used to pay for the activities and programs identified as requiring general fund support. Rather than a fixed dollar amount, the supplement should be established as a percentage of the overall budget of the Non-Restricted Portion of the State Wildlife Account. For example, in the 201719 biennium, the one-time State General Fund transfer was 11% of the NonRestricted Portion of the State Wildlife Account. The Department could establish a target percentage of between 10-15%, depending on budget priorities for each biennium, and include this request for supplemental money from the State General Fund.

The project team also collected information from its comparative survey efforts to determine how other Fish & Wildlife Agencies across the country dealt with structural deficits. Some strategies applied and by which agency are presented in the following points:

- Increasing Hunting & Fishing Licenses Fees – Oregon Fish & Wildlife, Minnesota Fish & Wildlife
- Requested the creation of a dedicated Conservation Fund funded through an income tax surcharge – Oregon Fish & Wildlife – not yet approved by Legislature
- Linked annual increases in license fees to inflation – Oregon Fish & Wildlife
- Developed an internal strategic planning process for “compassionate contraction” or reduction and realignment of staffing levels through transfers & retirements – Minnesota Fish & Wildlife

As the points above illustrate that the primary mechanism used by the other agencies was increases in licensing revenue to help offset the structural deficit issues, including building in inflationary increases into their fee calculations and increases. However, these inflationary increases were built-in with a specified timeframe (5 years) to enable the agency to truly evaluate the cost of service associated with these fees and allow for a much more significant increase in fees if necessary.

While the primary focus of the budget deficit and analysis has been the Wildlife Account, the strategies discussed in this section of the report, are applicable to all WDFW programs and

funds. It is imperative that the Department continuously reevaluate its internal efficiencies, as well as discuss measures for cost containment strategies.

The structural budget deficit has both short and long-term implications for the Department. This report focuses on near-term issues such as identifying the extent of the budget problem and the Department's actions to bring the budget into balance for the 2017-19 biennium. For the long-term, the Department needs to begin work now to address deficits projected for the 2019-21 biennium and to address the structural issues of declines in some customer bases, shifts in consumer attitudes, and societal changes related to the preferences of younger populations such as Millennials and those from Generation Z. The Department has already begun such efforts by establishing a Budget & Policy Advisory Group to explore different options related to long-term strategies for revenue generation. Development of new sources of revenue, new customers, and new service offerings will be required to ensure the Department's long-term financial success.

Recommendation: WDFW should at a minimum implement the following measures to help address structural deficits in the future:

- ***Develop and propose a phased approach to fee increases to the Legislature to help balance the State Wildlife Account.***
- ***Request the Legislature to adopt language allowing for annual increases to fees based on a cost factor (Cost of Living Adjustment or Consumer Price Index) as this is a best management practice.***
- ***Enact legislation that would separate the State Wildlife Account into its nonrestricted and restricted funding sources to better enable the legislature and department to track expenses and revenues for each type of account.***
- ***Identify programs that are solely restricted revenue programs and balance those programs to their revenue sources.***
- ***Improve communications during the budget process, including explaining to the Legislature the consequences and impacts to the Department of new programs or initiatives that have no funding identified.***
- ***Continue to ensure all administrative costs are appropriately calculated and charged to all funding sources through a cost allocation plan to effectively recapture costs of providing administrative services.***
- ***Request the Legislature to allow the Department to retain 100% of commercial license revenues , landing taxes, and related fees to support the direct and indirect operations associated with those programs.***
- ***Classify the services and programs that are currently funded through the General Fund State transfer.***

- *Report revenues from the State Wildlife Account by restricted and nonrestricted accounts.*
- *Request the legislature to make the transfer from the State General Fund permanent and be based on a percentage of total non-restricted State Wildlife Account expenditures rather than a fixed dollar amount. This transfer will then be used to permanently fund and support activities and programs such enforcement, compliance, promulgation of hatcheries, and implementation of ESA, etc.*

These strategies will help address the funding shortfalls, by focusing on increasing revenue streams, as well as ensuring a closer match between program spending and revenue generation.

3. Management Structure and Decision-Making

This chapter assesses the current management and operations of the WDFW, including organizational structure, roles and responsibilities, and operations.

For this analysis, the project team examined current structure, responsibilities, decision-making, communications, planning and performance reporting at the WDFW. The project team evaluated these to identify strengths and weaknesses of the current approaches, as well as areas where these approaches deviate from accepted best practices.

The project team also conducted a review of Fish and Wildlife Agencies in other states. The organizations reviewed were: the Arizona Fish and Game Department, Florida's Fish and Wildlife Commission, Minnesota's Department of Natural Resources, the Missouri Department of Conservation, and Oregon's Department of Fish and Wildlife. The following table summarizes some key factors regarding the states.

Agency	Square Miles	Percent of State - Public Land Ownership	Population
Washington Department of Fish and Wildlife	71,362	43.4%	7,400,000
Oregon Department of Fish and Wildlife	98,466	60%	4,030,000
Minnesota Department of Natural Resources	86,943	25%	5,400,000
Florida Fish and Wildlife Conservation Comm.	65,755	29%	20,600,000
Arizona Game and Fish Department	113,998	55%	6,900,000
Missouri Department of Conservation	69,704	7%	6,100,000

These comparable agencies were selected by the Department for use in the comparative effort for a variety of reasons including services provided and geographic size. While each agency has unique characteristics, the project team was able to identify model practices as well as innovative approaches that helped inform our recommendations for the WDFW.

Based on our review of existing operations, best management practices, and other agencies we present key findings and recommendations for improvements to WDFW's management and operations.

A. Oversight and Leadership

The following section focuses on the Department's oversight and leadership, specifically the roles played by the commission and the membership of the executive management team.

1. FINDINGS AND ISSUES AT WDFW

The WDFW is overseen by a volunteer nine-member commission, appointed by the governor with the senate's approval. Commission members serve six-year terms and are tasked with developing and approving policy direction for the agency, approve budget requests for the Office of Financial Management, ensuring the policies and initiatives established by the Commission are enacted by the Department, classifying fish and wildlife within the State, and setting the rules when fishing, hunting, or otherwise engaging with fish and wildlife in the state.

The Commission receives its authority from the passage of Referendum 45 by the 1995 Legislature and public at the 1995 general election. The Commission is the supervising authority for the Department. With the 1994 merger of the former Departments of Fisheries and Wildlife, the Commission has comprehensive species authority as well.

Washington statute RCW 77.04.055 outline the duties of the Washington Fish and Wildlife Commission as the following:

- (1) In establishing policies to preserve, protect, and perpetuate wildlife, fish, and wildlife and fish habitat, the commission shall meet annually with the governor to:
 - (a) Review and prescribe basic goals and objectives related to those policies; and
 - (b) Review the performance of the department in implementing fish and wildlife policies.The commission shall maximize fishing, hunting, and outdoor recreational opportunities compatible with healthy and diverse fish and wildlife populations.
- (2) The commission shall establish hunting, trapping, and fishing seasons and prescribe the time, place, manner, and methods that may be used to harvest or enjoy game fish and wildlife.
- (3) The commission shall establish provisions regulating food fish and shellfish as provided in RCW 77.12.047.
- (4) The commission shall have final approval authority for tribal, interstate, international, and any other department agreements relating to fish and wildlife.
- (5) The commission shall adopt rules to implement the state's fish and wildlife laws.
- (6) The commission shall have final approval authority for the department's budget proposals.
- (7) The commission shall select its own staff and shall appoint the director of the department. The director and commission staff shall serve at the pleasure of the commission.

In evaluating the operations of the Commission, it was found that they spend the majority of time focused on the policy aspects of the assigned duties including establishing policies, procedures, agreements, and rule making activities. However, the Commission's oversight and involvement in overseeing administrative functions, including budget establishment, strategic planning, and evaluation of operations and the Director are not given sufficient time.

The Department's Executive Management Team (EMT) consists of the Director, Policy Director, Deputy Director, six Assistant Directors, and six Regional Directors. These fifteen staff are responsible for meeting to discuss the Department's operations, policies, budget, and any other challenges or important information relevant to the leadership team.

2. REVIEW OF OTHER STATE AGENCIES' MANAGEMENT AND GOVERNANCE

Of the other agencies studied, four have a commission structure similar to that of WDFW. Minnesota's Department of Resources instead has an executive director appointed by the governor. (While the executive is known as a commissioner, this is a salaried, management position similar to that of agency director.) The table below outlines the statutory responsibilities of the agencies' commissions.

State	Commission Description and Responsibilities
WDFW	<ul style="list-style-type: none"> • 9 commissioners • Appointed by the Governor with Senate Confirmation for six year terms. • Develop and approve policy direction for the agency, approve budget requests for the Office of Financial Management, ensure the policies and initiatives established by the Commission are enacted by the Department, classify fish and wildlife within the State, set rules for fishing, hunting, or otherwise engaging with fish and wildlife in the State.
Florida	<ul style="list-style-type: none"> • 7 commissioners • Appointed by the Governor and confirmed by the Senate to five-year terms. • Regulatory and executive powers "with respect to wild animal life and fresh water aquatic life and ... with respect to marine life, except that all license fees and penalties for violating regulations shall be as provided by law."
Minnesota	<ul style="list-style-type: none"> • Single executive (known as commissioner), appointed by the Governor. • Broad authority over Department policy and operations.
State	Commission Description and Responsibilities
Missouri	<ul style="list-style-type: none"> • 4 commissioners • Appointed by the Governor for four year terms. • Commissioners responsibilities include: appointing a director of the Department; serving as the Department's policy makers; approving Wildlife Code regulations; strategic planning; budget development and major expenditure decisions.
Oregon	<ul style="list-style-type: none"> • 7 commissioners • Appointed by the Governor for four year terms. • Commissioners formulate general state programs and policies concerning management and conservation of fish and wildlife resources and establishes seasons, methods and bag limits for recreational and commercial take.

A review of commission meetings agendas shows a relatively consistent approach to commission meetings in the different agencies. Agenda items include public hearings for rule-makings or regulatory changes, regular financial reports, and budget reports. In some cases, the commission is also tasked with revoking hunting or fishing privileges due to violations.

All of the agencies studied have a management team that meets regularly to identify and address key issues that cross departmental lines.

3. BUDGET PROCESSES IN OTHER STATES.

There is considerable variation in other state fish and wildlife agencies in terms of the budget process, public involvement, and financial challenges facing the agencies. The table below provides a high-level overview of the budget processes in each of the different state agencies.

WDFW	Arizona Game and Fish Dept.	Florida FWC Commission	Minnesota Dept. of Natural Resources	Missouri Dept. of Conservation	Oregon Dept. of Fish and Wildlife
<p>Programs develop request packages, which the central budget office refines. EMT meets to discuss packages and prioritize.</p> <p>Budget request</p>	<p>Biennial budget.</p> <p>Executive team meets with budget staff to develop projections and a request for the commission.</p>	<p>Budgets developed by divisions with oversight by budget analysts.</p> <p>Executive director presents budget request to the legislature.</p>	<p>Legislature sets base budget dollar amounts.</p> <p>Division budgets are vetted at the division level, brought up at commissioner's office. Budgets submitted to</p>	<p>Dedicated sales tax allocation provides some revenue stability.</p> <p>State legislative approval is considered pro-forma. All budget development and vetting done at the</p>	<p>Biennial budget.</p> <p>40 + person external budget advisory committee (representatives include hunting groups, environmental groups, fisheries, farming and timber</p>
WDFW	Arizona Game and Fish Dept.	Florida FWC Commission	Minnesota Dept. of Natural Resources	Missouri Dept. of Conservation	Oregon Dept. of Fish and Wildlife
<p>goes to Commission, then Governor's Office, then legislature.</p> <p>Budget decision is handed down and the CBO divides among programs by fund. Programs further subdivide allotments to create their spending plan.</p>	<p>Work with the governor's office and legislature to get their budget request approved for appropriated funds.</p>	<p>Budget approval is part of the state budget process, with departmental budget as one element.</p>	<p>governor's office once approved by commissioner.</p> <p>3 citizen oversight committees, one for fish, one for wildlife, and one for the fish and wildlife fund. Ensure compliance with funding</p> <p>restrictions and act as advocates for the functions.</p> <p>Fish and wildlife funding shortfall avoided by approval of significant fee increase; agency</p>	<p>agency level.</p> <p>Implementing new performance-based budgeting process, tied to strategic planning, goals and priorities, and performance measurement.</p>	<p>groups, etc.) and 8 town hall meetings throughout the state to review budget.</p> <p>Budget is developed by the Agency, approved by the Commission, and submitted to the legislature.</p> <p>2016 – State task force to identify funding solutions given declining revenues from licenses. Task force recommendations not implemented but may set the stage</p>

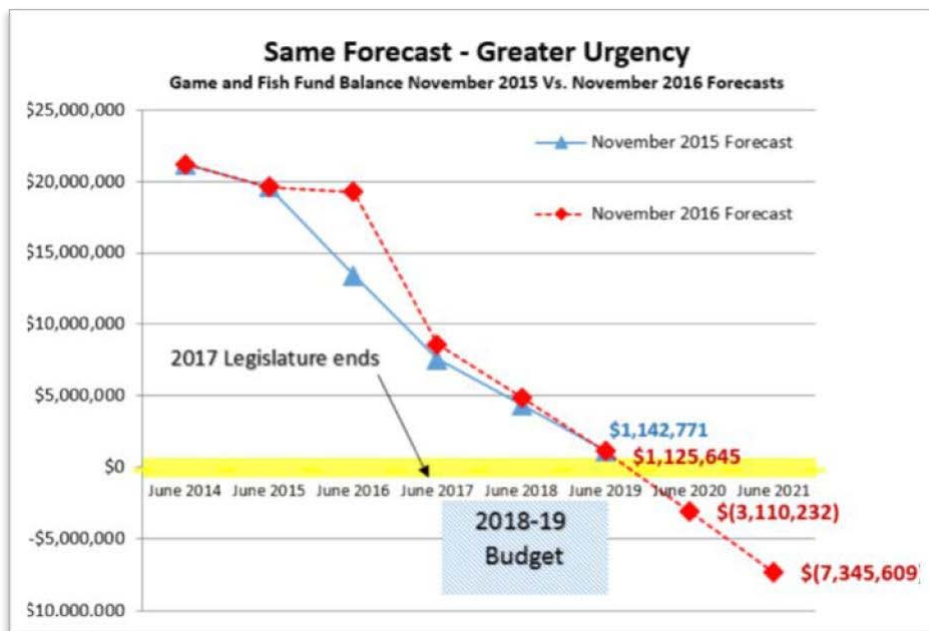
			currently involved in strategic planning effort to address future potential shortfalls.		for future changes.
--	--	--	---	--	---------------------

Oregon and Minnesota, in particular, have confronted structural budget shortfalls in at least some funds in recent years. The State of Oregon compiled a legislative task force to identify funding solutions given budget pressures due to declining participation in hunting and fishing and increasing costs. The task force recommended:

- Creating an Oregon Conservation Fund funded by an income tax surcharge and wholesale beverage surcharge.
- Eliminating some proposed license fees increases (high license fees were seen as a deterrent to participation in hunting and fishing) but linking license fees to inflation.
- Dedicating the new Conservation Fund the fund to expanded conservation and other programs efforts as well as to address the agency’s budgetary issues.

The legislature has not yet acted on the task force’s recommendations, although it did approve an increase in hunting and fishing license fees as a temporary measure to address funding shortfalls. The agency hopes that the work done by the task force has laid the groundwork for future discussions on budget.

Minnesota was facing depletion of the agency’s game and fish fund by 2019, as illustrated in the graph provided by the agency. The legislature approved significant increases in various license fees to head off the crisis, but the agency has also started an internal strategic planning process to look at “compassionate contraction” (reduction and realignment of staffing levels if possible through retirements and transfers).



Notably, while Missouri does not currently face major fiscal constraints, the agency’s director is overseeing a stringent new budget process aimed at ensuring that expenditures are aligned with the agency’s and public’s current priorities.

4. CONCLUSIONS AND RECOMMENDATIONS.

The Commission should take a more active role in overseeing WDFW through the following activities:

- Strategic Planning:** The Department should be commended for the establishment of a strategic planning document that is designed to provide a high-level target and prioritization of key initiatives and goals. However, the Commission’s role in establishing the strategic plan has been minimal. Their involvement has historically been one of approval once it is nearly completed rather than actual involvement in the establishment of the document. Since the strategic plan should be a foundational document that guides operations and priorities of the Agency, the Commission should be more active in the development of this plan.
- Budget Development:** The Commission’s role in developing the Department’s budget request has been minimal in recent years. They have had limited input and discussion regarding budgets during the development phase and have approved the budgets presented to them with little in-depth discussion or evaluation. Given the current financial issues present in the Department, the Commission should be more active in the development of the proposed budget. Given the limited number of Commission meetings, this may best be done through the establishment of a dedicated Budget Committee of the Commission members.
- Budget Oversight:** The Commission should ensure that it is provided a written budget report, showing projected and actual expenditures and revenues, at each Commission meeting. Major deviations from the planned budget should be highlighted with a narrative

explanation provided, and where necessary, action steps identified for how the Department will address the deviations.

- **Evaluation of the Director:** The Commission should ensure that it conducts annual evaluations of the Director in a timely and consistent manner. This is critical to ensuring that the Director has feedback regarding his/her performance and alignment with the policy goals of the Commission. Previously, the Director was evaluated annually, and more recently, has shifted to a biennial evaluation period. The last evaluation occurred in June 2015. In June 2017, the Director briefed the Commission on his performance for the 2015-17 biennium, and the Commission is still in the midst of an evaluation and setting a Performance Agreement for SFY 2018.

The Commission may need to allocate additional time at their monthly meetings in order to accommodate the additional duties outlined above.

The current makeup of the EMT is appropriate; it includes enough staff to ensure that each program and region are represented, without becoming excessive. The size of the EMT was recently trimmed to 15, whereas it once was larger and included Deputy Assistant Directors and other special assistants. While the EMT is still large, it only includes one representative from each of the programs, and one from each of the regions. This makeup has the capacity to function well as a leadership and decision-making body, and the Department should maintain its current number of members.

While the EMT is a reasonable size currently, there are four staff who should make appearances when topics impacting their staff are under discussion: the Chief Information Officer; Chief Financial Officer; Human Resources Director; and Budget Officer. These staff oversee organizational units which are affected by every decision the Department makes and are asked to serve as partners and support staff for the Department's endeavors. They also have a unique perspective on the topics discussed by the EMT because they deeply understand the administrative implications of the Department's initiatives. While they do not need to be a formal part of the decision-making body, they should attend meetings to provide their opinions on topics of discussion relevant to their organizational units.

Recommendation: The Commission should take a more active role in overseeing the Department and conducting administrative duties assigned to it such as: participating in the development of the Department strategic plan; evaluation of the Director; and development, approval and oversight of the Department budget.

Recommendation: The Department should maintain the current number of members on the EMT; however, the Chief Information Officer, Chief Financial Officer, Human Resources Director, and Budget Officer should attend when topics requiring their technical input are under discussion.

B. Organization and Management

This section addresses the organizational structure and management processes of the Department, including Program and Regional reporting relationships, organizational structure and span of control, and methods of internal communication.

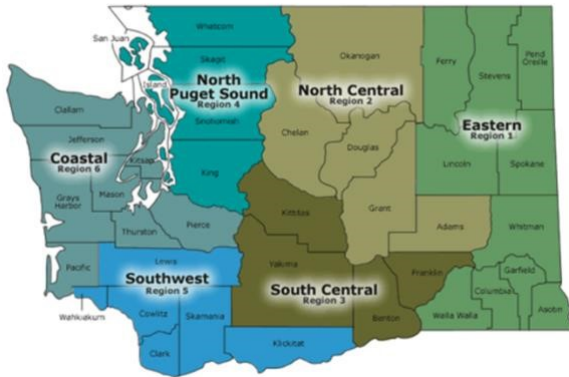
1. ORGANIZATION AND MANAGEMENT FINDINGS AT WDFW

The Department operates six programs: Technology and Financial Management; Capital and Asset Management; Fish; Wildlife; Habitat; and Enforcement. These six programs operate under the Deputy Director, but many of the staff for the six programs, especially those in the Wildlife,

Fish, Habitat, and Enforcement programs, operate in the field rather than in Olympia. They work in one of six regions around the state each of which has a regional office, where the Regional Director is located. The Regional Directors report to the Director’s Office, while program staff in each region report to the program manager for their region, who reports to deputy assistant director of their program. The program staff in the regions do not report to the Regional Director. Regional Directors serve as the representative for the Director’s Office in the regions, represent regional interests to the executive management team, and coordinate the

efforts of the various programs in their region. They also coordinate WDFW activities with tribes and local governments, and they serve as the point of contact and Departmental authority for regional issues.

WDFW Regions



The following table shows the number of staff assigned to each region, according to the State of Washington OFM website:

Location	Employee Count	Percentage
Region 1	152	8.0%
Region 2	197	10.4%
Region 3	126	6.6%
Region 4	209	11.0%
Region 5	241	12.7%
Region 6	249	13.1%
Olympia/Thurston County	719	37.9%
Unallocated	3	0.2%
TOTAL	1,896	100.0%

The number of reporting relationships appear to be appropriate, without many excessive groupings. The Director oversees the Regional Directors, administrative assistants, and two special assistants, as well as the Deputy Director to manage operations and the Policy Director to oversee legislation, public outreach, and strategic planning and process improvement. The Deputy Director in turn oversees each of the six Assistant Directors, the Human Resources Manager, and a handful of special assistants. The recent consolidation of policy-related functions under a Policy Director ensured that the number of reports to the Director could be reduced to a more manageable number, and it also provided a clear point of leadership for the

Department’s outward-facing activities such as legislative support and public outreach. The existing structure provides the benefit of mostly grouping similar functions together (each of the Regional Directors reports to the Director, and each of the operational divisions reports to the Deputy Director) while maintaining a reasonable span of control.

2. REVIEW OF OTHER STATE AGENCIES’ ORGANIZATIONAL STRUCTURE AND GOVERNANCE

The other state-wide fish and wildlife studies vary considerably in structures for oversight.

State	Appointed Oversight	Executive	Administrative Support	Divisions	Regional Offices
WDFW	9 member commission	Department Director, Policy Director, and Deputy Director		Fish; Wildlife; Habitat; Enforcement; Financial Services; Enforcement	6 regional offices

State	Appointed Oversight	Executive	Administrative Support	Divisions	Regional Offices
Arizona	9 Member Commission	Agency Director and Deputy Director	HR, Funds and Planning, and Rules & Risk Management branches report to Director.	Special Services; Wildlife Management; Information & Education; Field Operations	6 regional offices
Florida	5 Member Commission	Executive Director, Chief Financial Officer	Offices report to Executive Director: Finance and Budget, IT, Strategic Initiatives, Legal, Human Resources, Community Relations, Licenses and Permitting, Legislative Affairs, Inspector General	Law Enforcement; Marine Fisheries; Freshwater Fisheries Management; Hunting and Game Management; Habitat and Species Conservation; Fish and Wildlife Research	5 regional offices

Minnesota	No commission	Commissioner and Deputy Commissioner	Separate Operations Support Division Includes: Community and Outreach; Capital Investment & Property; Human Resources; Chief Financial Officer; Internal Audit. IT provided by state IT agency (MINNIT)	Forestry; Lands; Parks and trails; Fish and wildlife; Ecological and water resources; Enforcement; Operational support	4 regional offices
State	Appointed Oversight	Executive	Administrative Support	Divisions	Regional Offices
Missouri	4 Member Conservation Commission	Executive Director	Deputy Director for Administration oversees: Administrative Services Division; Outreach and Education Division; and Human Resources Division	Fisheries; Protection; Science; Wildlife; Private Lands; Forestry	6 regional offices
Oregon	7 Member commission	Executive Director	Separate Administrative Programs Division	State Police Fish and Wildlife Division; Fish and Wildlife Programs Division; Administrative Programs Divisions	4 regional offices

All agencies have one or more central division or department responsible for administrative functions (such as IT, HR, finance, and procurement). In Minnesota, all Information Technology

staff are actually employees of the state's IT department (MNIT), although some of the staff are physically located in operational departments or regional offices. Florida is relatively decentralized, with HR and IT staff residing in divisions rather than a centralized function.

There does not appear to be one ideal model for provision of administrative services, with both more and less centralized models working effectively. That said, all agencies pointed to the importance of having consistent policies and central oversight to ensure that these policies are being applied across the board.

All agencies described some challenges related to oversight of regional offices, in particular with employees from a number of different departments working together in a regional office. The typical structure in these agencies, as with WDFW, is to have reporting relationships based on department program, not region. One innovative approach in Missouri is to create teams in each region, known as "regional conservation teams" made up of staff from each division: forestry, lands, parks and trails, fish and wildlife, ecological and water resources and enforcement. Leadership of these teams rotates among the divisions every three years. WDFW has a comparable team structure through its Regional Management Teams and district teams. In Arizona, by contrast, regional offices are run as "mini-headquarters" with programmatic staff in the regions reporting to the regional supervisor.

The project team was asked to examine WDFW's decision-making, including the levels at which actions may be taken. For WDFW, these are spelled out in Policy 1004, which provides a detailed business action authority matrix, as well as a set of conditions under which authority may be delegated to a more junior manager or employee. These policies cover: personnel decisions, leave approvals, IT purchases, public works contracts, other contracts, and payments; as well as, a number of natural resource policy decisions.

The state Department of Ecology has a similar matrix covering similar areas of authority, and the State Parks and Recreation Commission and Department of Natural Resources address authority levels in a number of different memoranda and policy documents.

Based on the agencies studied, there do not appear to be consistent policies across Washington state agencies approval authorities or how these authorities are delegated and tracked. In general, the authority levels spelled out in Policy 1004 do not appear to be out of line with those in similar organizations.

The scope of project team's review did not include an audit of administrative decisionmaking, but interviews did identify some issues with inconsistent decision-making in different divisions of the organization, as well as in regional offices. For example, employees reported in interviews inconsistency regarding:

- Processes for purchasing goods and services
- Criteria for setting budget priorities
- Decisions related to the deployment and use of technology
- Use of performance evaluations

These issues do not necessarily necessitate less delegation of authority, but do mean that the agency needs to have clearer policies and more consistent oversight to ensure that these are being followed.

Recommendation: All administrative divisions should ensure that policies are clear and promote consistency across the agency. There should be review and compliance mechanisms in place to ensure that policies are being followed at all levels of the organization.

3. CONCLUSIONS AND RECOMMENDATIONS

The following subsections outline the project team's conclusions regarding each of the primary areas explored and present the related recommendations.

(1) Regional Structure

The location of program staff in regional offices around the state is clearly necessary for the type of work performed by the Department. The Department's chosen reporting structure which places the chain of command within the program areas rather than the regional offices has its merits. Because such a large portion of the Department's funding comes from sources which are tied to a specific program area, the staff from different programs within a region are very often funded by entirely different revenue sources. They also have different mandates and different scientific or enforcement backgrounds, which means that the operational and staffing needs across all regions within a particular program are usually more similar than the needs across all programs within a particular region.

In order for this arrangement to work, however, two key factors must be in place.

- First, the Assistant Directors of each program must be familiar with the regional dynamic as it affects their program, so that they can make appropriate personnel decisions, establish priorities, and effectively oversee operations.
- Likewise, the Regional Directors must be familiar enough with each of the programs' overall strategy and their impact on the region to foster communication between the program managers, find opportunities for streamlining of operations, and effectively advocate for the region to the Assistant Director of each program.

In the project team's time on site and conversations with staff in regional offices, program leadership roles, and the Director's Office, it appears that these factors are present, and that the existing approach meets the needs of the Department. This is largely due to a commitment by staff to conducting regular meetings with the local program managers, maintaining contact and coordination with Assistant Directors, and keeping a close eye on the issues affecting their region. It can also be attributed to the program managers' willingness in each region to cooperate with the managers of other programs and take constructive input from Regional Directors regarding the priorities of the Director's Office.

With this in mind, there is still room for Regional Directors to play a larger role in the Department's strategic planning process. Because the EMT's decisions need to reflect an understanding of

regional needs and conditions and because the Department's work on conservation issues is place-based, the Regional Directors are in position to provide direction to the leadership body and ensure that Department policy accounts for regional differences. More concretely, the Regional Directors should contribute a portion of the Department's strategic plan for each biennium, writing a section which describes the challenges facing their region as part of the framing context for the plan's goals, objectives, and strategies.

Recommendation: The Regional Directors should play an active role in strategic planning by writing a section of the framing context for the document.

(2) Organizational Structure and Span of Control

The Director oversees the Regional Directors, administrative assistants, and two special assistants, as well as the Deputy Director to manage operations and the Policy Director to oversee legislation, public outreach, and strategic planning and process improvements. The Deputy Director in turn oversees each of the six Assistant Directors, the Human Resources Manager, and a handful of special assistants. The consolidation of policy-related functions under a Policy Director ensured that the number of reports to the Director could be reduced to a more manageable number, and it also provided a clear point of leadership for the Department's outward-facing activities such as legislative support and press releases. The existing structure provides the benefit of mostly grouping similar functions together (each of the Regional Directors reports to the Director, and each of the operational divisions reports to the Deputy Director) while maintaining a reasonable span of control. A review of spans of control within WDFW did not identify any consistent areas where spans of control were out of alignment with expected practices or levels seen in other comparable entities; however, there were individual cases where spans were very narrow or wide.

The organizational structure in its current state does come with some drawbacks. While similar functions are mostly grouped, financial and administrative staff (known as the Technology and Financial Management group, or TFM) report through the Assistant Director of Financial Services, who reports to the Deputy Director along with the Assistant Directors over the other program areas. This means that the Deputy Director is tasked with overseeing operational divisions as well as administrative teams. It also means that the leads for administrative functions (the CIO, the CFO, the Budget Officer, etc.) fall three layers below the director on the organizational chart. The exception to this is the Human Resources Director, who is not grouped with the TFM unit, but reports directly to the Deputy Director.

Many of the issues currently faced by the Department have to do with the synchronization of operations and decision-making between operational and administrative units of the organization. The Department has struggled at times to provide programs with needed technology, coordinate and provide transparency to the budgeting process across the programs, and address concerns related to human resources strategy and personnel classification. In order to focus the appropriate level of attention on these functions and allow them to better operate as partners of the Department's operations and policy arms, the Department should make the following changes:

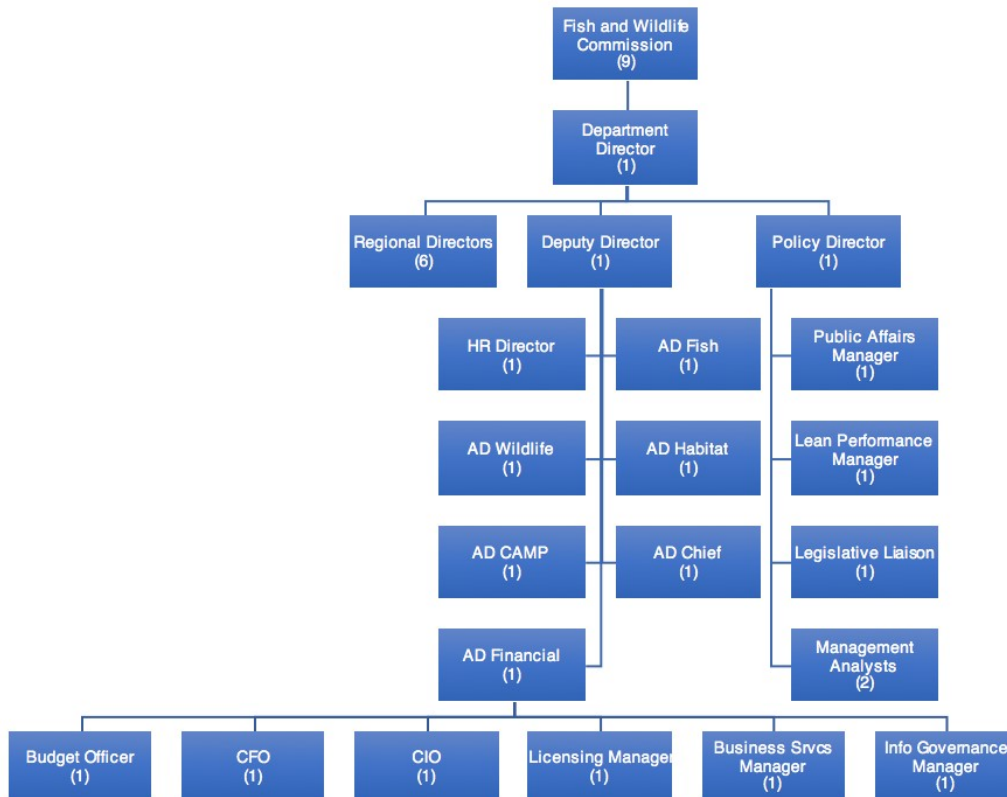
- The Assistant Director of Technology and Financial Management should report directly to the Director. The position should be renamed "Administrative Services Director" and

placed on par with the existing Policy Director. Alternatively, the position could be established as a second Deputy Director position. If this approach were taken, there would be one Deputy Director overseeing operations and one Deputy Director overseeing administrative functions.

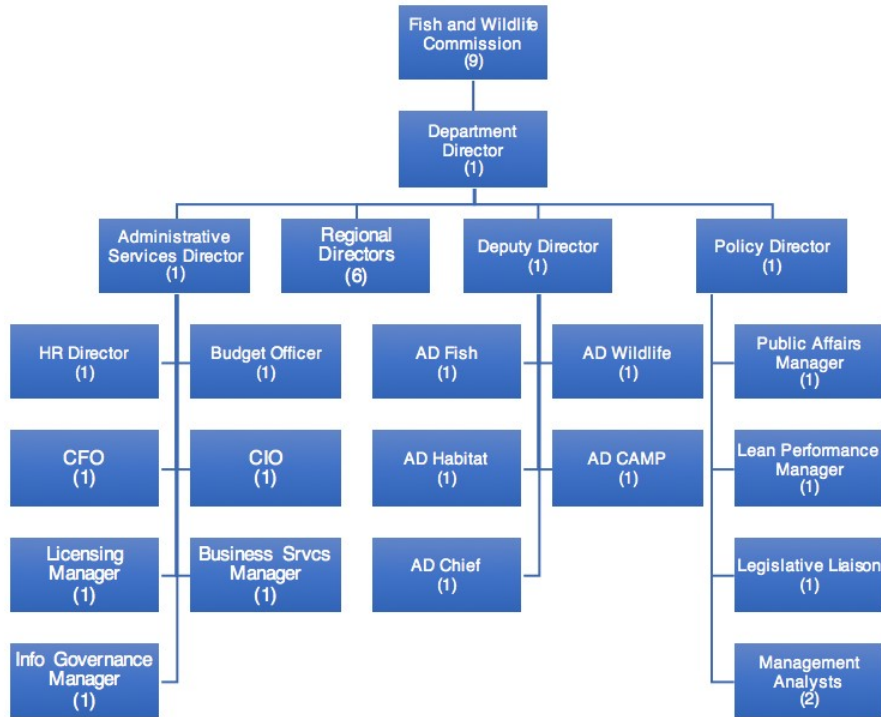
- The Human Resources Director should join the Budget Officer, Chief Financial Officer, Chief Information Officer, Licensing Manager, Business Services Manager, and Information Governance Manager in reporting to the Administrative Services Director (or the new Deputy Director if the alternative is implemented). As stated previously, the Chief Information Officer, Chief Financial Officer, Human Resources Director, and Budget Officer should attend EMT meetings when topics relevant to their staff are under discussion.

This new arrangement will have the Director overseeing a Policy Director, Deputy Director, and Administrative Services Director (ASD) – or the second Deputy Director position. It will allow the existing Deputy Director position to focus more directly on the five remaining operational program areas. It will also increase the level of focus and attention dedicated to the vital administrative areas of technology, human resources, finance, and budgeting. The EMT will not grow or shrink as a result of this change. The following depict the existing and proposed organizational structures for WDFW:

Current Structure



Proposed Structure



Four of the five other state fish and wildlife agencies surveyed have a similar structure to the proposed structure, where the individuals supervising administrative functions report directly to the Director.

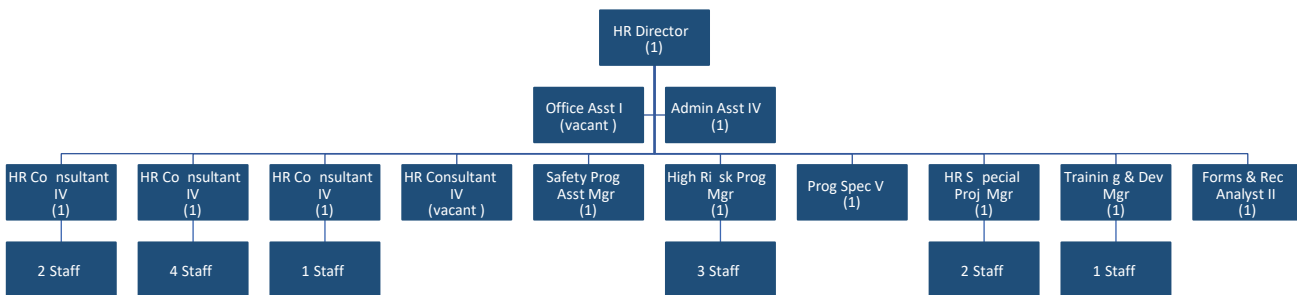
State	Organizational Structure for Administrative Oversight
Arizona	The Director oversees the head of the Human Resources unit, while the Deputy Director oversees the Special Services Division, which includes budgeting, purchasing, and technology.
Florida	The Director's Office directly oversees the Finance and Budget Office, Office of Information Technology, Legal Office, and the Office of Human Resources.
Minnesota	Fish and Wildlife is just one of the programs in the Department of Natural Resources. The DNR Commissioner (Director) oversees an Operations Services Director, who manages the Chief Financial Officer, Human Resources, and Communications & Outreach.
Missouri	The Director oversees an Assistant Director and two Deputy Directors. The Assistant Director oversees policy coordination and governmental liaison. One Deputy Director handles the field divisions of Fisheries, Protection, Wildlife, Science, and Forestry, while the other handles the administrative divisions of Administrative Services, Human Resources, and Outreach & Education.

Oregon	The Director oversees two Deputy Directors. One of them manages the Fish Division, Wildlife Division, and regional offices; the other manages Administrative Services, Human Resources, Information Systems, and Information & Education.
Washington	The Director oversees the Regional Directors, Deputy Director and Policy Director as current organized. As proposed the Director would assume additional oversight of the Administrative Services Director.

In addition to these changes, the number of direct reports in the Human Resources unit should be reduced. Currently, the organization is very flat, with twelve staff reporting to the Human Resources Director (see below). A number of possible consolidations could occur to make this possible:

- The risk management and workers’ compensation functions could be grouped under a single manager reporting to the HR Director to improve spans of control and oversight of these programs by a single individual.
- The safety and ADA accessibility programs could be grouped under a single manager reporting to the HR Director to ensure close coordination of these functions.
- The HR generalists supporting the program areas in personnel matters like recruitment, discipline, employee evaluations, and employee classification could be grouped (which would help to maintain consistency in their operating practices), along with the volunteer program, under a single manager reporting to the HR Director.

Current WDFW Human Resources Organizational Chart



Given the strategic challenges facing the Department in terms of diversity, data management, and other areas, the HR Director should be able to spend the bulk of their time leading through strategic planning and policy-setting, rather than managing operational staff.

Recommendation: *The Department should implement either an “Administrative Service Director” or “Deputy Director of Administrative Services” reporting to the Director.*

Recommendation: The Human Resources Director should report to the new Administrative Services Director / Deputy Director position.

Recommendation: The number of direct reports for the Human Resource Director should be reduced to eight or fewer.

(3) Internal Decision-Making and Communication

In terms of communication, the Department's responsibilities are widespread across a variety of work types, funding sources, and geographic locations. The organizational units depend on each other, however, for vital information in order to coordinate efforts efficiently and reduce confusion or surprises. Because of the varied nature of the work performed by the Department, this requires a concerted effort. Currently, there are good examples of internal communication occurring at every level of the organization:

- Regional Directors meet regularly with their regional management team (composed of the RD and the program managers) to discuss local issues which may impact the Department and synchronize program efforts, where possible, across the region.
- Assistant Directors meet with their policy area leads and deputy assistants to stay apprised of new developments within their program area, refine program-specific policy, plan for implementation at the regional level, and convey instructions from the Director's office.
- The Executive Management Team meets to finalize budget requests, approve initiatives, and discuss Department-wide issues. This team includes representatives from each organizational unit.
- The Department utilizes district teams composed of staff from each program that are assigned a smaller geographic area than the region (i.e., the six regions are divided into total of 17 districts). The district team serve as "interdisciplinary teams" to coordinate on conservation efforts at the watershed and district level.

These efforts help to ensure that lines of communication remain open and management processes are unhindered by the geographical distance between operating staff.

In the field, staff are often responsible for making decisions within their assigned authority levels in a semi-independent manner. For example, they may obligate regional Department staff to secure vault toilets at an access site. This decentralized action model enables the Department to take advantage of opportunities and secure funding that might not otherwise be available without the on-the-ground perspective of staff. However, these actions have impact on other parts of the organization. Securing the toilets at an access site, for example, requires staff time and clarity about which organizational unit will pay for it. When field staff take action, there should be a procedure for ensuring that the appropriate parties are informed (and have the chance to advise or approve/disapprove) of the action. This could be a field checklist for staff to consider

before making monetary decision, or a requirement to report non-routine activity to the Regional Program Manager.

Communication between regional offices relies on video conferencing, phone, and email. While some regions have new and updated video conferencing equipment, some regions lag behind. This makes communication more difficult because the video and audio quality is poor, and also because the equipment used in each region is not uniform, which means there is limited compatibility between them. To resolve this, each region should have the same type of video conferencing tools, ideally by the same manufacturer, so that they will be fully compatible with each other and with Olympia. This is likely to cost about \$20,000 to \$25,000 for each region which needs to be made uniform with the others.

At the EMT level, decision making is extremely critical because of the department-wide impact that executive policies have on operations, and communication to the rest of the Department is vital to ensuring that programs and support staff act in alignment with the decisions made by the EMT. Accordingly, communication must be executed effectively in order to ensure internal compliance and consistency. While the EMT does take meeting minutes and circulate decision documents to staff, there is still a perception among some staff that this group is slow to arrive at decisions or lacks decisiveness in implementing and enforcing them. To make sure that this diverse body produces clear communication, they should enhance existing efforts to communicate decision making and priorities that result from meetings in a timely, clear, and effective manner. To do this, the management analyst keeping minutes for the meeting should compile a summary of policy decisions and other key developments arising from EMT meetings, and circulate them as an electronic memo to all management and supervisory staff in the Department. While the members of the EMT already take steps to communicate with their staff, this small formal measure will help ensure that information from EMT is circulated more completely. It takes very little time to accomplish after each meeting, and the procedure for completing it can be improved quickly from month to month.

Recommendation: The Department should implement a procedural checklist and point of contact for field staff when taking actions with a financial impact on the Department.

Recommendation: The videoconferencing tools in each region should be standardized.

Recommendation: The EMT should enhance efforts at communicating decisions reached to the entire organization to enhance understanding of Department priorities, changes in policy and ensure greater consistency throughout the organization.

C. Strategic Planning

The following section explores opportunities for improvement in the Department's strategic planning process.

1. STRATEGIC PLANNING AT WDFW

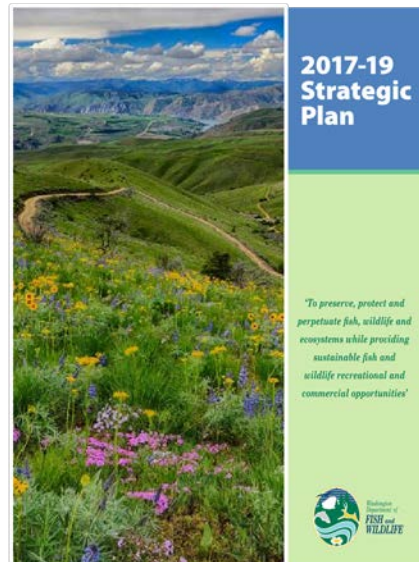
Every two years, the Department publishes a strategic plan to outline its goals and objectives for the coming biennium. Strategic planning is a vital tool for distilling the vision, mission, and values of an organization into actionable goals and performance measures, and this exercise is especially valuable for an organization as financially, geographically, and programmatically diverse as WDFW.

The strategic plan should direct the focus of the Department as a whole and give shape to the activities of the various programs encompassed within the organization, tying them together in the pursuit of a unified vision. In the 2015-17 version, each of the Department's four goals were supported by a set of objectives and a series of related initiatives. These provided a measure of clarity on how the Department could progress toward the goal and more detail on specifically what steps the organization had committed to take in pursuit of the goal. In the more recent 2017-19 strategic plan, however, the initiatives supporting each goal and its objectives have been temporarily eliminated and replaced by the State

Legislative Directives contained in the Department's proviso. The Department has stated their intent to develop a more robust Strategic Plan for 2019-21 after the completion of the extensive work called for in the operating budget proviso. Aside from the Strategic

Plan, the project team reviewed other documents which are impactful for setting priorities and driving action on the part of program staff:

- The Director's Performance Agreement outlines a set of deliverables for each biennium which are tied to one of the Department's four goals and the corresponding strategies for that goal. These deliverables are reported upon at the conclusion of each biennium.
- The business plans published by each of the Programs use the Department's goals and the strategies set forth in the Director's Performance Agreement to focus on particular initiatives that are important for their respective programs.



of
of

Because the Department's planning and goal-setting work is not taking place in the context of or full alignment with the Departmental strategic plan, some efforts fail to fully demonstrate how programmatic goals and objectives are tied to the accomplishment of the Department's strategic initiatives. This makes it harder to communicate to the public about the progress being made.

2. STRATEGIC PLANNING AT OTHER STATE AGENCIES

A comparison to the strategic planning documents of comparable agencies in other states can be used to identify the strengths and weaknesses of the Department's own strategic plan. The following elements of the plan are similar to those found in other such documents:

- The WDFW Strategic Plan lists the six Conservation Principles which the Department uses to set priorities. These are found in other states' agencies, although they may be called guiding principles or core competencies.

- The WDFW Strategic Plan lists four overarching goals for the Department, and it identifies a set of objectives within each of those goals. The 2015-17 version of the strategic plan also included initiatives to support each of the Department's goals. These elements are common to the strategic plan documents of other organizations.

All of the agencies studied have some type of strategic planning process, and include some elements that could be used in Washington to enhance their strategic planning activities.

- The plan published by the Minnesota Department of Natural Resources provides context to their goals and objectives by outlining the strategic challenges that their departments face, and identifying relevant trends in their state related to hunting/fishing/recreation.
- The Florida Fish and Wildlife Conservation Commission's plans link the activities of their department to the states priorities of the state's Governor.
- The Arizona Game and Fish Department's plan support the agency's high-level goals, objectives, and initiatives with concrete strategies and action steps that serve to direct the Department's activities toward accomplishing the strategic goals.
- Other strategic plans, including as the one published by the Florida FWC Commission, provide a series of performance measures which will be used to gauge the agency's progress toward achieving its goals and make decisions about resource allocation in the future.

Additionally, the Washington Department of Fish and Wildlife should ensure that it provides sufficient public engagement opportunities through online feedback, public meetings, and focus groups to gather necessary input prior to developing the new strategic plan.

3. STRATEGIC PLANNING RECOMMENDATIONS

In order for the Department's Strategic Plan to form the basis for action, the document should be expanded and changed so that its content and development process reflect the realities faced by the Department. Four key changes can be made to this effect.

First, the strategic plan should incorporate concrete strategies and action steps which the Department will take in pursuit of its goals. Similar to the strategic plan documents published by other states' fish and wildlife agencies, the organization's large-scale objectives should be supported with clearly defined activities and milestones. This change will ensure that each of the plan's goals is clear enough to act upon, and that some of the action to be taken is made clear.

Second, the strategic plan's goals and objectives should also be supported by performance measures which can easily be tracked and reported upon, and which are indicative of the Department's success in progressing toward the stated goal. Incorporating performance measures will ensure that staff remains accountable for the progress made toward stated goals,

and it will prevent the Department from losing focus or straying away from the intent of the plan’s goals. This topic is explored more in the discussion of performance management in Section D of this chapter.

Examples taken from the strategic plans of two other state agencies that demonstrate how they implemented to recommended approach outlined above are shown in the following table.

	Minnesota	Arizona
Goal	Expand hunter recruitment and retention.	Enhance aquatic habitat ecosystems.
	Minnesota	Arizona
Action Steps	<p>Promote innovative hunter recruitment approaches, such as “Learn to Hunt Whitetail Deer,” a program aimed at urban adults with little or no hunting experience and an interest in local, sustainable food.</p> <p>Promote the DNR’s rearms safety and hunter education outreach to Minnesota’s Hispanic community.</p> <p>Invest in shooting range development and rehabilitation to increase access to and participation in shooting sports, especially among youth.</p>	<p>Implement aquatic habitat improvement projects.</p> <p>Implement new eradication, containment and prevention projects for undesirable and/or invasive species.</p> <p>Implement priority actions in conservation agreements, management plans and statewide wildlife action plan strategies.</p> <p>Continue development and enhancement of comprehensive aquatic wildlife databases.</p>
Performance Measures	<p>Number of participants in special youth hunts.</p> <p>Number of youth license sales .</p>	<p>Acres or miles of aquatic habitat improved.</p> <p>Population status of ESA listed, Candidate or priority SGCN species.</p>

Third, the strategic plan should outline the trends in the Department’s line of business and the strategic challenges facing the Department. These trends and challenges should provide context for the strategic plan; the goals and objectives should be developed in response to the conditions faced by the Department. The challenges and trends should incorporate the perspective of each of the program areas, and each of the geographical regions. The input of Assistant Directors

and Regional Directors should be sought and used to develop the plan's goals. The role of Regional Directors in this step is explored further in Section B of this chapter.

Fourth, the strategic plan should be developed using the input of the public, key stakeholder and advisory groups, and the Department's tribal co-managers. While the Department has made some effort to incorporate the feedback from stakeholder groups (through the Wild Future initiative, for example), this ongoing dialogue between the Department and the public it serves should provide much of the basis for the goals outlined in the strategic plan. The Department's efforts to solicit external engagement are addressed in Section E of this chapter; as stated in the 2017-19 cover letter of the Strategic Plan.

These changes will fundamentally change the nature of the strategic plan by transforming it from a broadly descriptive publication to a detailed, instructive document shaped by the actual needs of the public and the current climate faced by the Department. With this transformation, it can be used as a tool for prioritizing resources, driving action on the part of the divisions, demonstrating a listening ear to stakeholders, and monitoring progress toward the Department's goals across each program area and geographic region.

Recommendation: The strategic plan should incorporate concrete strategies and action steps in support of its stated goals and objectives.

Recommendation: The strategic plan's goals and objectives should be supported by performance measures which can be tracked and reported upon.

Recommendation: The strategic plan should outline the trends and challenges facing the Department in each of its program areas and geographical regions.

Recommendation: The strategic plan should be developed using input from the Department's stakeholders and tribal co-managers.

D. Information Technology Strategic Plan

Technology is an integral component of all effective government agencies, and all operational improvement initiatives necessarily include a technology component. As stated elsewhere in this report, one area of high priority is clearly an agency-wide finance and personnel system that would allow for greater communication, consistency, and reporting across all departments, divisions, and regional offices. Another key issue is apparent inconsistency in the deployment and use of IT systems by different departments.

Given the high value and high cost of technology (and the recommendation for the implementation of additional technology solutions), the agency should undertake a formal IT strategic planning initiative. This would include a comprehensive analysis of individual departmental and agency-wide technology needs and develop a roadmap to meeting these needs. It would also ensure the existence of clear, agency-wide IT policies to be followed at all levels of the organization. Of particular importance is the need to identify, in the future, when

the Department will allow the creation of new systems outside of central IT control and a plan for ensuring all new systems (either acquired or developed) have the ability to appropriately integrate with other systems in use by the department. This will ensure the ability to share data and, eliminate data silos, and reduce redundant staff work.

The technology plan should focus on seeking systems that have wide application across departments and functions where possible and should incorporate the following principles:

- **Standardization** – Standardize IT solutions across the agency where feasible to decrease costs and improve information sharing.
- **Business Process Support** – Ensure that the technology deployments include an examination of business processes and automate these to the greatest degree possible. As mentioned, this is a strength of the current department, but should continue to be a focus.
- **Innovation and Flexibility** – Systems should allow new functionality to be added quickly as new needs are identified.
- **Maintenance and Support** – Once systems are procured and deployed, resources should be in place to maintain and support them, including training new employee.

Following these principles, the technology plan needs to be developed and implemented based on a needs assessment of each operational area, an understanding of short and long-term funding availability, equitable resource allocation, and sound business practices.

Recommendation: WDFW should develop and implement a comprehensive IT strategic plan for the Department with defined priorities and time schedules.

E. Performance Measurement and Evaluation

The following section focuses on opportunities to enhance the Department's performance measurement and evaluation efforts.

1. PERFORMANCE MEASUREMENT AT WDFW

As stated in the previous section of this chapter, performance measures lend concreteness to Department goals and ensure that the organization remains accountable for them.

The Department has a significant role to play in meeting key measures of the Governor's **Results Washington** program, a performance accountability initiative with quantifiable goals aiming to make government in Washington more effective, efficient, and customer focused. This includes education, economic growth, health and safety, and the environment (which includes fish and wildlife). Some of the related objectives for the department include:

- Increasing the percentage of ESA listed salmon and steelhead populations at healthy, sustainable levels from 16% to 25% by 2022.
- Increasing the percentage of current state listed species recovering from 28% to 35% by 2020.
- Increasing the number of hunting and fishing licenses issued to 2,256,746 by June 2020.
- Increasing the hydraulic project approval compliance rate to 90% by 2016.
- Increasing Washington State as an employer of choice from 65% to 67% by January 2020 (relevant for *all* departments).

In addition to the Results Washington measures exemplified above, the Department’s reporting on timeliness measures for core functions is also tracked by the agency (e.g., customer responsiveness in the Licensing Division and HPA permit issuance).

The **Director’s Performance Agreement**, referenced briefly in Section C, is a biennial document outlining the Commission’s expectations of the Director. It breaks the Agency’s goals down into strategies, each of which has specific deliverables attached to them and an assigned lead (Wildlife, Habitat, HR, etc.). The deliverables are reported upon every two years to provide an assessment of the Department’s progress. This report is the best example the Department has of concrete action planning that is fully aligned with agency goals while providing specific accountability. A portion of the summary and the body of the 2015-17 biennial report are provided in the following graphic:

Directors Performance Agreement: Summary of 2015 – 2017 DPA deliverables		
Agency Strategy	Deliverable for 2015-17 82% Completed/On Track 4% Nearing Achievement 14% Making Progress	Status
Implement Wolf Conservation and Management Plan to recover wolves while addressing wolf-livestock and wolf-ungulate conflicts.	1. Provide technical assistance and pursue cost-share agreements with livestock operators to avoid and minimize wolf-livestock conflicts.	Achieved
	2. Utilizing Wolf Advisory Group, amend the 2011 Wolf Conservation and Management Plan. Incorporate latest science on wolf population dynamics and wolf-ungulate interactions.	Making Progress
Implement actions to reduce risks to native salmon and steelhead from operating hatcheries.	3. Implement improved brood stock management for hatchery programs consistent with the goal of achieving the Hatchery Scientific Review Group (HSRG) brood stock standards for all hatchery programs by 2015.	On Track
		Making Progress

	4. Work with National Oceanic and Atmospheric Administration (NOAA) and tribal co-managers to evaluate and approve HGMP's for all state salmon and steelhead hatcheries.	
--	--	--

Goal 4: Build an effective and efficient organization by supporting our workforce, improving business processes, and investing in technology.		
Agency Strategy	Deliverable for 2015-17	Lead
Increase workforce satisfaction and productivity by investing in a comprehensive agency training program and career development process.	1. Address issues raised as a result of employee survey, including develop a Department training and career development program that improves employee knowledge, skills, and abilities and supports succession within the Department. <ul style="list-style-type: none"> a. The Department has completed the training of all existing 500+ supervisors across the agency and training new supervisors within the first few months of their supervisory appointment. b. As a next step, the HR Office has developed and is providing a Leadership 2 class that, while not mandatory, is open to all staff. c. In addition, a Leading with Integrity class is now being offered. 	Dep Dir

In addition to these measures, other partners of the Department such as the Governor’s Salmon Recovery Office and the Puget Sound Partnership gather metrics for their report cards, many of which overlap with the Department’s mission.

2. PERFORMANCE MEASUREMENT AT OTHER AGENCIES

All of the other state agencies studied have performance metrics that are posted on their web site and monitored by the department. Most also have metrics used by individual departments to track progress on a programmatic level.

The below (partial) graphic from Arizona’s Department of Fish and Wildlife shows how the agency ties together the organization’s broad strategic goals with performance targets and then performance metrics.

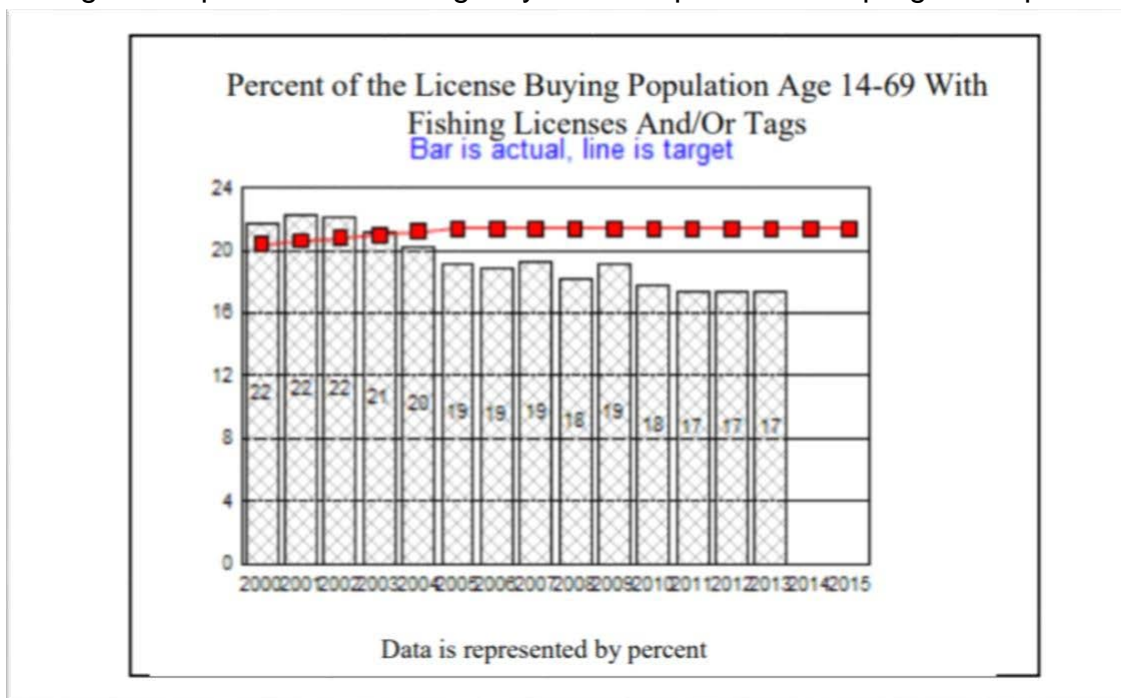
Aquatic Wildlife	Terrestrial Wildlife	Wildlife Recreation	Shooting Sports Recreation	Watercraft Recreation
<ol style="list-style-type: none"> 1. Use the most comprehensive and current wildlife data and science to inform wildlife planning and management decisions for Arizona 2. Balance sport fish recreation with native aquatic resource conservation 3. Implement watershed scale planning and management 4. Enhance aquatic habitat ecosystems 5. Expand voluntary partnerships with business and industry to support conservation and recreation 	<ol style="list-style-type: none"> 1. Use the most comprehensive and current wildlife data and science to inform wildlife planning and management decisions for Arizona 2. Implement comprehensive game management through landscape level planning 3. Manage all wildlife species to maintain biological diversity and reduce unnecessary regulatory burden 4. Expand voluntary partnerships with private entities, businesses and industry to support conservation and recreation 	<ol style="list-style-type: none"> 1. Increase participation in hunting, fishing and wildlife viewing 2. Maintain diverse outdoor recreation opportunities 3. Expand wildlife viewing opportunities 4. Increase the public's understanding of hunting and fishing as wildlife management tools that support the North American Model of Wildlife Conservation 	<ol style="list-style-type: none"> 1. Demonstrate returns on investments, for Department actions and to benefit the state and local economies 2. Meet customer needs and expectations 3. Generate support for shooting sports 	<ol style="list-style-type: none"> 1. Meet future customer's registration and recreation needs 2. Demonstrate returns on investments for Department actions and to benefit the state and local economies 3. Safe and responsible watercraft recreation
<ol style="list-style-type: none"> a. Pounds and locations of fish stocked b. Acres or miles of aquatic habitat improved c. Prevent, contain or eradicate invasive or undesirable species d. Conduct angler surveys e. Improve population status of ESA listed, Candidate or priority SGCN species f. Native aquatic reintroduction and augmentation efforts g. Number of aquatic wildlife limnological investigations 	<ol style="list-style-type: none"> a. Variety of hunting opportunities b. Acres of habitat improved c. Improve population status of ESA listed, Candidate or priority SGCN species d. Species reintroduction and augmentation efforts e. Protect state's interest in species management f. Health status of wildlife populations g. Number of voluntary conservation partnerships 	<ol style="list-style-type: none"> a. Revenue generation b. Participation in wildlife viewing opportunities c. Participation in hunting and shooting recreation activities d. Proximity of wildlife related activity to Arizonans e. Percent of Arizona public who know who manages Arizona's wildlife 	<ol style="list-style-type: none"> a. Availability of Shooting Ranges b. Volunteer workforce at Commission owned ranges c. Net income of Ben Avery Shooting Facility d. Shooting discipline varieties at Commission owned ranges e. Grants provided 	<ol style="list-style-type: none"> a. Watercraft registration b. Boating access and launch areas c. Watercraft related citations and violations d. Educational outreach for safe watercraft use e. Customer Satisfaction

Florida's Fish and Wildlife Commission has detailed performance metrics and tracks actual performance against targets in its long-range plan. The Commission uses a best practices approach of linking goals, objectives, and outcomes and then measuring outcomes to track these against targets. Below is an excerpt from the agency's longrange plan:

GOAL:	TO PROVIDE FOR HEALTHY RESOURCES AND SATISFIED CUSTOMERS.												
OBJECTIVE 1A:	TO PROVIDE FOR INCREASING OR STABLE FISH AND WILDLIFE POPULATIONS.												
OUTCOME 1A:	Percent of wildlife species that are increasing or stable.												
	<table border="1"> <thead> <tr> <th>Baseline/Year</th> <th>FY 2018-2019</th> <th>FY 2019-2020</th> <th>FY 2020-2021</th> <th>FY 2021-2022</th> <th>FY 2022-2023</th> </tr> </thead> <tbody> <tr> <td>49.0%</td> <td>48.7%</td> <td>48.7%</td> <td>48.7%</td> <td>48.7%</td> <td>48.7%</td> </tr> </tbody> </table>	Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	49.0%	48.7%	48.7%	48.7%	48.7%	48.7%
Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023								
49.0%	48.7%	48.7%	48.7%	48.7%	48.7%								
OUTCOME 1B:	Percent of marine fishery stocks that are increasing or stable.												
	<table border="1"> <thead> <tr> <th>Baseline/Year</th> <th>FY 2018-2019</th> <th>FY 2019-2020</th> <th>FY 2020-2021</th> <th>FY 2021-2022</th> <th>FY 2022-2023</th> </tr> </thead> <tbody> <tr> <td>99%</td> <td>80%</td> <td>80%</td> <td>80%</td> <td>80%</td> <td>80%</td> </tr> </tbody> </table>	Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	99%	80%	80%	80%	80%	80%
Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023								
99%	80%	80%	80%	80%	80%								
OUTCOME 1C:	Number of public contacts by law enforcement.												
	<table border="1"> <thead> <tr> <th>Baseline/Year</th> <th>FY 2018-2019</th> <th>FY 2019-2020</th> <th>FY 2020-2021</th> <th>FY 2021-2022</th> <th>FY 2022-2023</th> </tr> </thead> <tbody> <tr> <td>1,320,787</td> <td>1,098,789</td> <td>1,098,789</td> <td>1,098,789</td> <td>1,098,789</td> <td>1,098,789</td> </tr> </tbody> </table>	Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	1,320,787	1,098,789	1,098,789	1,098,789	1,098,789	1,098,789
Baseline/Year	FY 2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023								
1,320,787	1,098,789	1,098,789	1,098,789	1,098,789	1,098,789								

Minnesota’s performance and accountability standards provide an excellent model for transparency, as the information is provided on a dedicated performance and accountability page on the agency’s web page.

While the State of Oregon’s Department of Fish and Wildlife is in the process of revising and updating its strategic objectives and targets, the agency does have a strong history of developing and reporting on performance. The graphic below provides an example of performance monitoring that is published in the agency’s annual performance progress report.



3. PERFORMANCE MEASUREMENT RECOMMENDATIONS

As stated in the discussion of strategic planning, the establishment of action steps and performance metrics to support them is a vital component to ensuring that the organization has a well-defined direction and has the means to gauge its progress, determine where course corrections are necessary, and remain accountable to the public. Currently, the Department has a number of tools for achieving these ends, but they are not comprehensively organized or

presented in a way that lends a cohesive focus to the Department as a whole. The best way to do this is by developing the strategic plan first, and using it as the basis for the Director's Performance Agreement and the Program Business Plans. The Commission should be directly involved in creating the strategic plan, because it is the primary guiding document for the Department. The Director's Performance Agreement is a strong and specific document, and the type of goal-setting and performance tracking effort that is used for the Director's Performance Agreement should be applied to the Strategic Plan. The creation of objectives and specific deliverables, as well as routine grading of performance against those deliverables, should be a strategic planning activity, although it can also be used to evaluate the Director's performance.

Similar to the strategic plan published by the Arizona Game and Fish department, these steps should each be supported by one or more quantifiable metrics, with a report on the metric from the preceding biennium included. This will not require the creation of new objectives or strategies (the ones provided in the Director's Performance Agreement are already sufficient), but will centralize them in a quantified fashion in the Department's flagship public document. This will have the benefit of clarifying the central foci of the Department and clearly communicating them to the public. This recommendation can be found in the discussion of strategic planning.

Recommendation: Under the guidance of the Commission, specific objectives and action steps should be developed for the Strategic Plan in the way they currently are for the Director's Performance Agreement. To avoid duplication of effort, The Director's Performance Agreement should include the same criteria as the strategic plan and be similarly assessed.

Recommendation: The Director's Performance Agreement should be evaluated on an annual basis rather than a biennial basis to ensure that the Department's ***progress is regularly tracked.***

Recommendation: Periodic reports on progress towards achieving the adopted strategies and objectives should be prepared and provided to the Commission, the Governor, the Legislature and the public. The Department should provide a webbased "dashboard" for displaying performance metrics and tied to real-time data and information.

F. External Communication and Public Education

The following section addresses the Department's external communications strategy and public education efforts.

1. EXTERNAL COMMUNICATION AT WDFW

The Department handles public outreach and external communication at a program level, regional level, and department-wide level. Within each of the major program areas, there are staff who focus on building relationships and maintaining communication with stakeholder groups who are concerned specifically with that program area. At the regional level, the same holds true, with Regional Directors and the Regional Management Team members carrying the responsibility of fostering dialogue with the general public, regionspecific interest groups, and local tribal leaders in their geographic area. At the Department level, however, there is another group, the Public Affairs unit, led by a manager who reports to the Policy Director. This unit is

responsible for issuing press releases to the media, managing the content of the Department's website¹⁷ and social media outlets, facilitating community outreach functions, developing state and federal legislative fact sheets, and responding to public relations crises, when necessary. The communications staff in the unit develop messaging materials and promotional plans for assigned initiatives, such as conservation of a particular species, salmon fishing season, or wolf and livestock interactions.

2. EXTERNAL COMMUNICATION AND CITIZEN ENGAGEMENT DURING BUDGET DEVELOPMENT AT OTHER AGENCIES

In addition to citizen outreach during the budget process and for budget oversight (discussed elsewhere in this report), all of the agencies studied engage citizens and stakeholders using a wide variety of approaches. These include: surveys related to specific topics (such as potential policy changes), surveys assessing citizen's overall feelings regarding the agency's key responsibilities (such as conservation), open houses, and hearings. The four agencies that have an appointed commission all have open meetings, including the opportunity for people to watch meetings and provide comments on-line, similar to Washington. Below are some specific examples of public input:

- Missouri used a system of open-houses, on-line open houses, and solicitation of feedback to collect comments from 7,500 residents before considering changes to hunting regulations. The state also noted that in fiscal year 2016, there were 147 public engagement opportunities, including smallmouth bass and chronic wasting disease meetings, annual hunter surveys, conservation area plan comment periods, Regulation Committee comments, and a statewide landowner survey.
- Florida uses public meetings held in different locations around the state for any rule changes, such as changes in season lengths or bag limits.
- Oregon appointed a task force to identify possible remedies to a structural deficit facing the agency. As described, the agency was made up of: "diverse interests in fish and wildlife management including the outdoor recreation business community; conservation, hunting and fishing interests; outdoor recreation interests other than hunting and fishing; travel and tourism industry; counties and tribal governments; outdoor education community; sport and commercial fishing industry; and diverse communities that may be underserved or underrepresented."
- Minnesota has both a Wildlife Oversight Committee and Fisheries Oversight Committee, standing committees that meet monthly with staff of the agency to better understand their operations, priorities, and resource allocation decisions.

No clear best practices regarding technology utilization were identified from these state comparisons, so the project team evaluated approaches employed by other highperforming organizations to identify approaches suitable for use by the Washington Department of Fish and Wildlife.

¹⁷ The Department's website is currently being replaced in order to more effectively provide information to the public.

3. CONCLUSIONS AND RECOMMENDATIONS RELATED TO PUBLIC COMMUNICATION AND CITIZEN ENGAGEMENT

While the pieces are in place for a robust public relations plan, the Department has suffered from a lack of credibility in the eyes of the public, due to competing opinions about the management of wildlife, the restrictions on fisheries, and the use of State Wildlife Account, in addition to recent widely-publicized instances of employee misconduct.

The conflicts that the Department faces with stakeholder groups and tribal co-managers are, to some degree, inherent. Fish and wildlife are finite resources, and opportunities to harvest them and enjoy them recreationally are not unlimited. As the State's population rises, the Department's key customer bases of hunters and fishermen age out of sporting activities, and environmental concerns increase, the role of the Department in balancing competing demands becomes, structurally, more difficult. In the face of these factors, a strong public relations program has the ability to build trust with constituents, improving the level of community buy-in and mitigating the risk of backlash from residents, tribes, and various stakeholder groups. However, the Department has struggled to manage public relations issues well for two main reasons:

- The Department has not clearly told its funding story to the public. For example, the Department faces a budget problem in the current biennium, but there has not been significant effort to communicate to the public that operational costs are rising. Fee increases have been minimal to nonexistent over the last five years, but they remain as unpopular as ever, even as the costs of doing business rise.
- The Department has not successfully demonstrated that they hear and respond to the concerns of the public. The Strategic Plan and Operating Budget do not include material pointing out how the Department is hearing the concerns raised and is working to meet the needs of everyday citizens, stakeholders, sportsmen, ranchers, tribes, commercial fishermen, and other "customer" groups who rely on the organization for cooperation and leadership. There is a lack of public understanding of how the various activities the Department undertakes contributes to the public's expectations for their recreational and commercial opportunities.

These problems with conveying the Department's message and demonstrating that customers' messages have been heard spring from the fact that the Department has not successfully emphasized in-the-field, face-to-face relationships with stakeholders. The recent effort to engage the public in the budget process through the Wild Futures initiative resulted in some valuable insight and an opportunity to make the Department's case to the public. It also revealed that Washington's residents have deep concerns about the Department's direction and policies, and that they do not feel as though the organization hears those concerns. But more pressingly, too few residents feel that there is a consistent presence from the Department in their area in the form of someone they know and see regularly.

(1) The Department Should Appoint a Local WDFW Representative.

In order to change the perception of the Department and improve dialogue with the public, the Public Affairs unit should add a new element to the Wild Future initiative, namely identifying a consistent local representative for the Department in each region.

- This individual could be the Regional Director or one of their assistants, a local program manager for one of the programs, or another assigned staff member. However, based upon existing duties assigned to these individuals, it is unlikely that sufficient time could be allocated to the public engagement effort. It would be better to create a new position of Regional Outreach Representative – reporting to the Regional Director – who is entirely focused on community outreach and engagement. The efforts of the Regional Outreach Representatives should be coordinated by Public Affairs to ensure training for these positions and that a consistent message on agency-wide issues is achieved.
- They should be an available presence for the Department at the local level, focused on building relationships with stakeholder groups, disseminating information, and periodically hosting opportunities for public input and feedback. They should consistently be in contact with conservationist groups, sportsmen, and others who may be impacted by Department actions.
- The Public Affairs unit should create an inventory of issues which should be exposed to public comment at the local level, which might include changes to the lengths of harvest seasons, fee increases, budget updates, species and regional conservation plans, and other actions which may impact the public's interactions with Fish and Wildlife or their habitat. These issues should be sent to the local representative so that they can ensure their local stakeholders are aware of them and prepare opportunities for interaction with them.
- The Public Affairs unit should also offer training to the local representative to ensure that they are equipped to speak for the Department and have the communication skills to engage productively with constituents, especially when focusing on sensitive topics like the use of fee funding and the balance between commercial and recreational fishing.

The designated local representatives and/or Regional Directors should seek specifically to foster conversations with residents and stakeholders where the Department's customers can hear and be heard. These could be open houses or town hall meetings, similar to the State of Missouri, but the format of these meetings can be flexible depending on regional priorities and immediate circumstances (as well as relationships with local interest groups). Their contents, however, should be recorded and summarized as valuable constituent feedback.

In addition to this, the Public Affairs unit and Program staff should seek to consistently engage the Department's stakeholder advisory groups in issue-specific conversations, relying on their perspective to assess resident needs and to refine strategic planning for individual species.

Finally, the feedback from local meetings and advisory group conversations should be summarized and formally included as part of the framing context added to the strategic plan, as stated in the previous section focusing on that document. By doing this, the Department can

tangibly demonstrate the impact that residents' voices have on the agency's direction, and the most prevalent themes can be used to refine the Department's goals and strategies.

Recommendation: The Department should designate and support regional representatives to focus on ongoing conversations and relationship-building with local stakeholders as part of the Wild Future initiative through the creation of a Regional Outreach Coordinator position.

Recommendation: The Department should implement new online public engagement tools to solicit a higher-quality of public input.

Recommendation: The input from local meetings and issue advisory groups should be formally included in the strategic plan as part of the framing context and used to prioritize the agency's goals and strategies.

(2) The Department Should Expand Outreach and Utilize Technology More Heavily.

In addition to residents who routinely attend public meetings and respond to requests for comment, the Department should seek to increase engagement with other Washington residents. As previously stated, an aging base of core customers (hunters, fishermen, and outdoorsmen) and increasing environmental concerns mean that the Department must increasingly be able to tell its message to those without significant knowledge of WDFW operations.

Using a wide variety of technology tools for public outreach and engagement to broaden the communication audience holds numerous benefits for the organization. Firstly, technology has the ability to produce concrete data for reporting and decision-making. As opposed to traditional formats of gathering feedback, electronic media can reach a broad spectrum of citizens and stakeholders while yielding quantifiable results. Secondly, technology creates new opportunities for outreach and communication, in addition to face-to-face interaction with constituents. It also allows contact with a much broader, more diverse audience than meetings held in physical space. While a local presence is vital, as stated above, providing digital avenues for engagement with the Department is more inclusive. In addition to these factors, technology allows an agency to gather more *informed* opinions, oftentimes by asking respondents to electronically view a proposed policy or a brief set of relevant statistics before giving their response. In short, the addition of digital approaches to public outreach will allow the Department to get a far better grasp on a broad array of stakeholder sentiments than traditional outreach practices that may have poor in-person attendance.

Below are some examples of successful outreach from agencies in other states:

- Oregon's Legislative Task Force on Funding for Fish, Wildlife, and Related Outdoor Recreation and Education conducted a scientifically valid survey of all state residents on their attitudes towards the agency and its key functions.
- Oregon's Department of Fish and Wildlife has also developed a comprehensive outreach plan as part of the state's conservation strategy. The plan reaches out to

landowners, young Oregonians, federal and state agencies, and non-profits. It includes agency sponsored learning, special events, media partnerships, and volunteer programs.

- The Missouri Department of Conservation has also supplemented public comments with statistically valid surveys. The agency explains: “by using a statistically valid survey design, information collected can closely reflect actual attitudes of a surveyed population.” One example of this was a state-wide conservation opinion survey of University of Missouri-Columbia for the Missouri Department of Conservation. A few of the key findings are illustrated below:

Key Findings

- **Most Missourians report they are interested in Missouri’s forests, fish, and wildlife (95 percent).** Only five percent of Missourians indicated they are “Not at all” interested.
- **Over three-quarters of Missourians agree that “The Missouri Department of Conservation is a name I can trust” (76 percent).**
- **About two-thirds of Missourians rate the job the Department of Conservation is doing as “Excellent” or “Good.”** When asked to rate the job the Department is doing in providing services for the State of Missouri, themselves, or their family: **68 percent reported “Excellent” or “Good” for the state; 67 percent for themselves; and 65 percent for their family.**

- The Florida Fish and Wildlife Commission uses on-line surveys to reach a broader audience than those who manage to attend public meetings. As an example, when seeking input on rule changes related to anchoring boats the agency held three public meetings and then “recognizing that the outcome of the three public meetings was not adequately representative of the wide range of stakeholders potentially affected by this issue, the FWC initiated an online survey intended to expand the reach and diversity of stakeholders.”

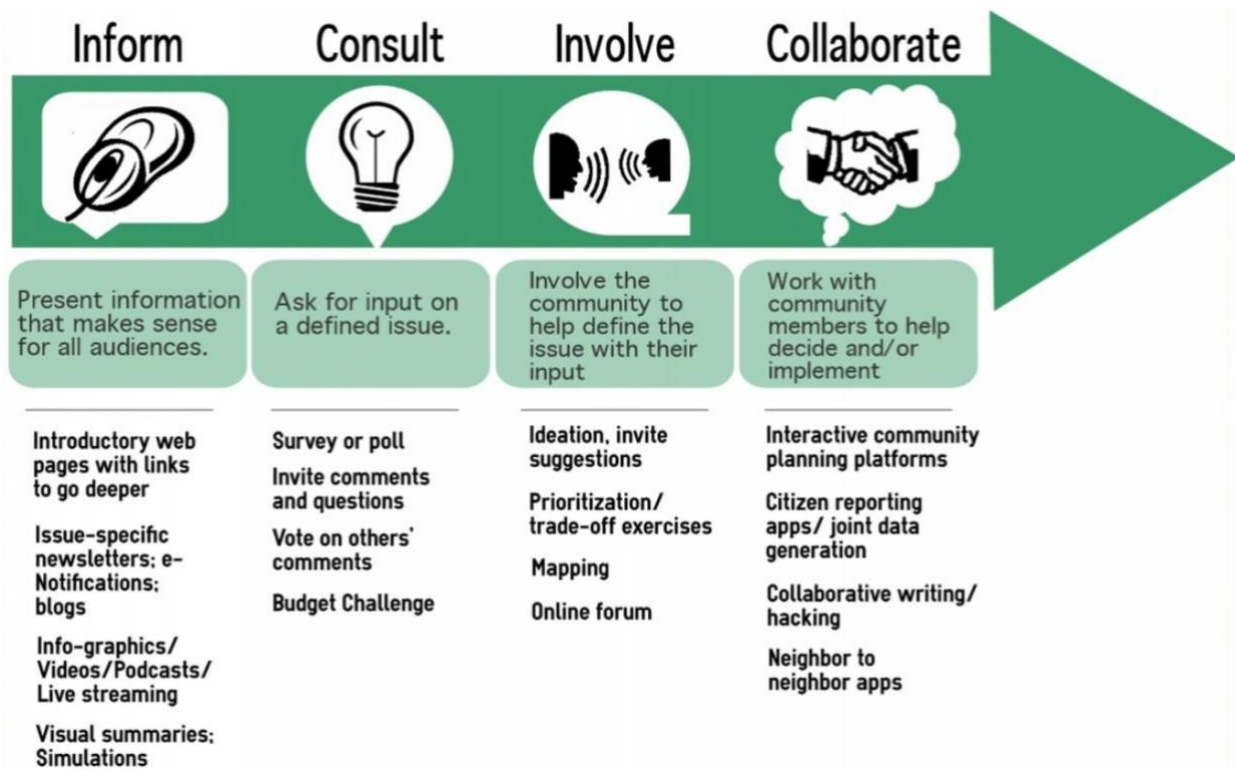
In addition to these measures, the use of technology provides multiple opportunities to engage residents who are not part of WDFW’s core customer base. One example of this would be to introduce virtual meetings, where meetings physically occurring are available in real time via video stream, and comments, questions, and responses can be sent as meeting input from the comfort of a home computer screen. The Department should implement online public engagement tools that enable the agency to interact with all facets of the public in a variety of ways – including online meetings, policy review and comment, virtual brainstorming sessions, etc. The implementation and management of these tools will likely necessitate an additional staff member, and subscription fees for these services may range up to \$200,000 annually.

The following table presents a few technology tools which could be used to improve the breadth of outreach and the depth of engagement.

Function	Example(s)	WDFW Application
----------	------------	------------------

Providing place-based input and report agency-related problems by location.	CrowdMap Tidepools Community Remarks	These types of tools could be used to notify the Department of waterway blockages, upload pictures and video when habitat is threatened, or alert staff of herd locations and wolf sightings.
Responding to surveys and engaging in meetings.	Poll Everywhere Crowd Hall Open Town Hall	These tools can be used to ask questions and receiving answers from a broad audience, while reducing the accessibility barriers which sometimes exist between agency staff and residents.
Brainstorming ideas and facilitating discussion.	Codigital Loomio StickyWorld Neighborland	These types of tools can be used to present ideas, identify those that stakeholders feel are strongest, and engage in discussion over those ideas to move toward decisions.
Prioritizing potential uses for funding and resources.	Crowd Gauge Citizen Budget	These tools could allow citizens to provide informed feedback by presenting potential budget alternatives and program initiatives, and allowing them to decide what matters most to them while seeing the impact of different priorities.

In using technology to realize maximum benefit for the agency, it is important to choose the correct tools at the correct time. The Institute for Local Government provides the graphic below which depicts the progression of technology utilization throughout the public outreach process.



While this is valuable to keep in mind, it is vital to remember that a physical presence still matter greatly for many of the State’s residents. With this in mind, a blended outreach strategy of high-tech and low-tech approaches is likely to be most effective.

- **In the initial stages**, this would mean gathering the broadest input possible in order to set the tone for the project and find out what the most important priorities are for the majority of respondents. Online engagement tools help to reach a large and diverse group of people, provide incentive for more people to attend traditional public workshops, and help those who do attend to be much more informed about the issues.
- **In the second stage**, workshops and public meetings can be conducted at the local level with much greater effectiveness, and local representatives can work with attendees to craft solutions based on data gathered through digital means. Of course, these local meetings can also be made accessible across the state using technology, and input from residents can be gathered in real time as meetings occur.
- **In the final stage**, technology can be used to present alternatives developed in public meetings, rank the value of competing priorities, and create a plan that will have the support of the majority of the community, due to their involvement in the process every step of the way.

A blended approach like this one ensures that the benefits of technology can be realized in the public outreach and engagement process, while still maintaining the personal interaction which residents and stakeholders appreciate. Technology should always support the function being undertaken by the Department, and it should always support the Department’s broader outreach plan as outlined by the Public Affairs unit.

Recommendation: The Department should use on-line public engagement tools to enable conduct of on-line meetings, on-line communications, and various survey methodology with the general public to reach an audience beyond their current most involved constituents at an estimated annual cost of approximately \$200,000 annually.

Recommendation: The Department should establish an outreach plan to prioritize messaging to customers and provide a framework for the use of appropriate technology.

Recommendation: The Department should develop a strategic vision for the Agency's outreach efforts and plan. Additional regional staff responsibilities for public outreach should be developed and implemented.

4. Administrative Structure and Operations Review

This chapter assesses the organizational structure of the WDFW. This includes an assessment of the overall organizational structure, the program structure, regional structure, the level of centralization and decentralization for administrative functions, and the uses of technology for administrative functions.

For this analysis, the consultants utilized interviews, observations and data collection to make assessments of organizational issues, but also conducted a survey of the organizational structures, staffing and budgets of three similar Washington State agencies. These agencies included the Parks and Recreation Commission, the Department of Natural Resources and the Department of Ecology.

Based on our review of existing operations, best management practices, and other agencies we present key recommendations for improvements to WDFW's organizational structure.

A. Organizational Structure Review

This section provides an analysis of the organizational structure of the Department of Fish and Wildlife, with a specific focus on functional centralization and decentralization.

1. THE DEPARTMENT'S SUPPORT SERVICES MEET "BEST PRACTICES" IN MANY AREAS, HOWEVER THERE ARE OPPORTUNITIES FOR IMPROVEMENT.

Although the project team has made specific recommendations to improve operations and organizational structure in this chapter, we have compared WDFW support services to "best practices" and have made observations which are provided below.

(1) Information Technology

The Department's Information Technology Division is overseen by a Chief Information Officer who reports to the Assistant Director of Technology and Financial Management.

The unit is responsible for overseeing the Department's servers and network, maintaining cybersecurity, managing databases, and developing digital business solutions for the agency. They also support hardware (devices and workstations) used by the Department.

The IT group exhibits a number of strong practices, including routine network monitoring and server maintenance, a preference for vendor-provided and cloud-based systems as opposed to internally developed solutions, dedicated cybersecurity staff, an internal shop for refurbishing hardware and devices, and ongoing assessment of the Department's technology needs.

Along with these strengths, there are a number of areas where the IT unit can improve to better align its operations with best practices. These include:

- The IT group does not currently have service level agreements (SLA's) in place with the rest of the Department's programs. SLA's define expectations and are helpful for determining the appropriate level of staff, among other benefits.
- The IT group lacks a set of procedures for application development, which might include determining where responsibility will lie for creating and maintaining new business solutions, determining how they will be funded, etc. Because of this, some divisions have begun developing their own digital solutions outside the purview of the central IT unit.
- The Division does not have true job-specific employee performance measures, which would allow the organization to ensure it meets Department standards and appropriately reward high-performing staff.
- The agency does not have a unified cell plan, mobile device policy, or mobile management system. These have the ability to save the Department money, tighten security, and simplify the administration of mobile capability.

Many of these recommendations will be implemented through an Information Technology Management System and a Mobile Device Management System that is being acquired by the Department this biennium.

Recommendation: IT should implement additional policies and procedures, including establishing service level agreements and establishing a Departmentwide, to enhance internal control over IT operations and achieve cost reductions.

(2) Human Resources

The Department's Human Resources Division is managed by a Human Resources Director who reports to the Department's Deputy Director. The HR Division is responsible for supporting the Department's divisions in a number of ways, including employment law compliance, labor relations, employee training, classification and compensation, safety, risk management, Title 7 Americans with Disabilities recreational access, diversity and inclusion, and managing the Department's volunteer program.

The HR Division adheres to best practices in a number of respects, including the establishment of a consistent investigation procedure, use of recruitment and onboarding software, creation of a department-wide diversity and inclusion initiative, retention of annual seasonal staff, tracking of workers' compensation metrics, and the assignment of dedicated staff to support specific divisions in recruitment and hiring, employee evaluations, class and comp, and grievance handling.

While the HR Division exhibits strength in these areas, it also has opportunities for improvement in a number of areas. These include:

- There is limited accountability for completing employee performance evaluations in a timely manner, and some evaluations are not always completed.
- The human resources management system (HRMS) which is used for managing personnel records and payroll, contains data of questionable integrity because the system was not implemented optimally or in an integrated fashion with other State agencies. Since staff sometimes move from one department to another, this is a serious concern.
- Based on on-site interviews, it is clear that there is a prevailing opinion among customer departments that Human Resources generalists treat the program areas inconsistently, or fail to recognize the appropriate scope of work they are asked to do. While dedicating staff by program is a good practice, it is crucial to maintain consistent approaches across each customer division.

Recommendation: The Department should place greater emphasis on ensuring all employees have performance evaluations conducted in a timely manner.

Recommendation: Additional training should be provided to HR Generalists to enhance the level of consistency in enforcing policies across the Department and to enhance the quality of data in the HRIS.

(3) Finance

The Department's Finance Division is headed by a Chief Financial Officer who reports to the Assistant Director of Technology and Financial Management. The Division supports the Department's programs by conducting general accounting, accounts receivable, accounts payable, payroll, benefits management, treasury and inventory functions, purchasing and contracts, and risk assessment. They also ensure OFM compliance, prepare federal and state reports, and surplus property and equipment as appropriate.

The Finance Division operates in alignment with a number of best practices, which include the use of a combined human resources and payroll information system, adequate documentation of all disbursements and invoice payments, the pursuit of grant funding when available, the use of efficient tools such as master contracts and blanket purchase orders when appropriate, the preparation of regular financial statements for the Fish and Wildlife Commission, and the adoption of policies for using purchasing cards and defining purchasing thresholds.

The Finance Division also has opportunities for improvement in some areas related to technology, reporting structure, and communication. These include:

- Most purchasing functions are conducted manually, without the use of an electronic purchasing system. Emailed attachments and physical paper copies are used to gather approvals, rather than quickly routing them to the appropriate authority. This is a detriment to efficiency and security.
- The Division does not conduct regular expenditure analyses to identify services or commodities which might be procured more efficiently if centralized. As a result, staff do not group commodities purchases across divisions, instead executing individual purchases each time an order is placed. These issues are related to the lack of a commodities tracking function in Novatus, the Department's contracts management software, which would make spend analysis and bulk purchasing more efficient.
- The Division's Internal Auditor is responsible for ensuring compliance and responsibility within the organization. His duties fall primarily within the financial realm, but he also reports to the Chief Financial Officer. This creates a potential conflict of interest which should be addressed by relocating the Internal Auditor position to another part of the organization.
- The Division does not have a procedure in place for informing the Contracts and Purchasing Division of upcoming purchases. As a result, the group does not have insight into what programs are planning to buy, so they cannot provide advisory input to their internal customers or gauge the volume of their workload pipeline.

Recommendation: The Department should conduct periodic spend analyses to identify services or commodities that could be procured for efficiently through establishment of master contracts or contracted bid prices.

(4) Budget

The Department's Budget Division is led by a Budget Officer who reports to the Assistant Director of Technology and Financial Management. This Division assists executive management in the development of the agency's vision and in building policy through budget requests. The unit also supports each of the Department's program areas by developing and monitoring their budget processes, conducting expenditure monitoring, lending technical budget expertise, and providing budget information to OFM and to the Legislature.

The Budget Division uses best practices in a number of ways, including a clear process for developing biennial budget requests, a high level of involvement on the part of budget staff in compiling these requests, dedicated staff for overseeing the management of each program and division's budget control numbers, and a very lean staffing complement for an organization the size of WDFW.

Along with these strengths, there are opportunities for improvement in the Budget Division. These include:

- While there are dedicated staff in each Program overseeing their budgets, and reporting on projected vs. actuals on an ongoing basis, these staff do not report to the Budget Officer. Instead, they report to their respective Assistant Directors. As a result, some of the clarity which is gained by dedicated budget oversight remains within the programs, rather than being centrally compiled and used for departmentwide priority setting and decision making.
- The Department has begun to ensure that each fund source contributes to program's administrative support functions. The methodology for determining this rate, however, has not been clearly communicated, and some Programs are unclear as to how their indirect costs are being assessed.
- There is an inconsistent use of Master Indices (MI) and Project Indices (PI) in the agency as a whole, and although this is not, per se, an issue that can be addressed by the Budget Office in isolation from the Programs and other operating divisions in the agency, it is one that has a pronounced effect on the efficiency and effectiveness of this Office. The project team has addressed this issue elsewhere in this report, and considers this to be a major issue that will require a cultural change in the ways in which budgets are developed at the most organic levels of the organization.

2. THE REALIGNMENT OF SPECIFIC FUNCTIONS COULD RESULT IN A MORE EFFECTIVE ORGANIZATIONAL STRUCTURE.

Although the organizational structure of the Department's management and the number of reporting relationships is generally appropriate, there are specific changes in alignment that would result in a more effective organizational structure. This section of the report provides discussion and recommendations regarding the structure of the agency.

(1) The Agency Should Create a Program of Administrative Services Reporting to the Director.

As already noted in the prior chapter, an Administrative Services Program should be created that is overseen either by an Administrative Services Director or a newly created second Deputy Director position.

(2) The Financial Functions Currently Performed in the Licensing Division Should Be Transferred to the Financial Services Section.

The Licensing Division of the Technology and Financial Management Program is responsible for the sale of a variety of license types, including fishing and hunting, as well as Discover passes, specialized commercial licenses, and others. These sales may be made in several ways, including in person, mail, internet, phone and, most often, at one of many retail outlets across the State. As the sales are made, the Licensing Division receives either physical or electronic payment, and a Fiscal Analyst 1 and Fiscal Analyst 2, under the supervision of a Fiscal Analyst 4, are responsible for balancing these payments.

The accounting functions performed by the three Fiscal Analysts in the Licensing Division are similar to those performed within the Fiscal Services Section of the Financial Services Division. The transfer of these three positions to the Fiscal Office of the Chief Financial Officer consolidates the receivables function, and allows for the sharing of personnel resources within this function, as well as for additional cross-training of personnel.

Recommendation: Transfer the Fiscal Analyst 4, Fiscal Analyst 2 and Fiscal Analyst 1 from the Licensing Division of the Technology and Financial Services Program to the Fiscal Office of the Chief Financial Officer.

(3) The Internal Auditor Should Be Transferred from the Office of the Chief Financial Officer to the Director's Office.

The Internal Auditor plays a significant role in any organization. Primary functions fulfilled by the position include:

- **The provision of objectivity.** The Internal Auditor has no operational responsibility, and therefore has no vested interests in the processes utilized to achieve results. Therefore, the Auditor can provide objective insights in the evaluation of these processes.
- **The improvement of operational efficiency.** The Internal Auditor objectively evaluates operations, and ensures that they are both efficient and are being performed in compliance with internal policies and procedures.
- **The assessment of internal controls.** The Internal Auditor determines if financial and operational processes are being conducted in accordance with best practices, and whether they are adequate in minimizing risk to the agency.
- **The assurance of compliance with rules and regulations.** The Internal Auditor is knowledgeable in current rules and regulations, whether these are promulgated by the agency, the State, the federal government, or by industry groups.

In carrying out the duties listed above, as well as others, the Internal Auditor requires independence in highlighting discrepancies, in making recommendations for improvement, and in issuing opinions. The successful accomplishment of these goals may be compromised without complete organizational independence.

The Internal Auditor of the Department of Fish and Wildlife is currently organizationally located within the Office of the Chief Financial Officer. This organizational placement fails to ensure that the position can effectively make potentially sensitive recommendations regarding findings within the Office of the CFO. For this reason, the project team recommends that the position be transferred from the Office of the CFO to the Office of Director. This ensures that the Internal Auditor's objectivity is not compromised, and will all for a more open dialog with all divisions of the agency in making recommendations related to internal controls, operational efficiencies, and others.

Recommendation: The Internal Auditor should be organizationally transferred from the Office of the Chief Financial Officer to the Office of the Director.

Related to the assurance of organizational objectivity on the part of the Internal Auditor is the fact that the position’s membership in the Washington Federation of State Employees bargaining unit is compulsory. This too compromises the objectivity of the Internal Auditor who must not be placed in a position of making critical findings and sensitive recommendations that could potentially affect fellow union members. For this reason, the project team recommends that the Internal Auditor not be permitted to be a member of any collective bargaining unit in which other Department of Fish and Wildlife employees are a part.

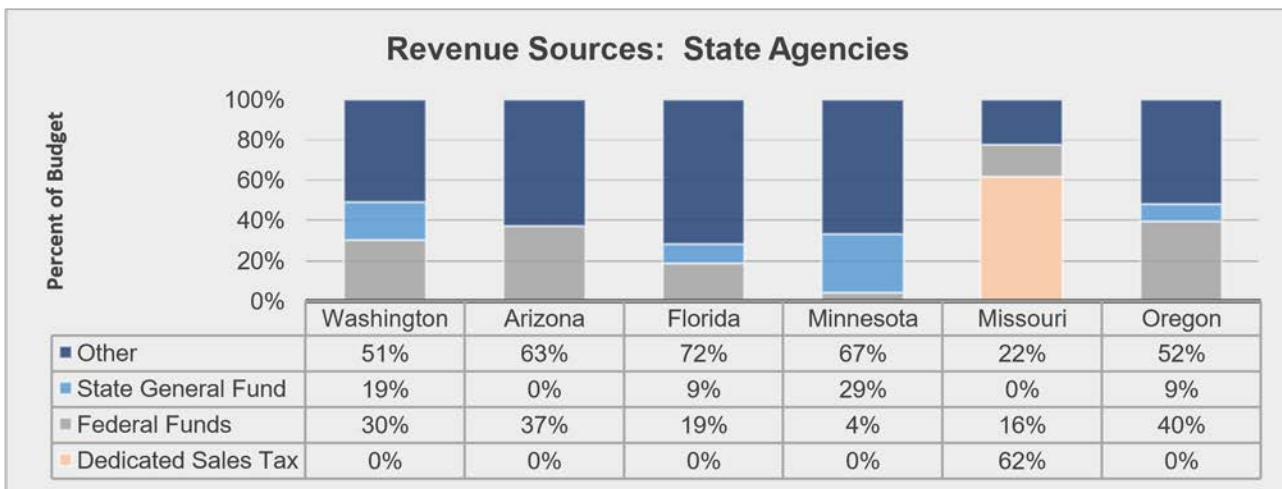
Recommendation: *The Internal Auditor should not be permitted to be a member of a collective bargaining unit of which other Department of Fish and Wildlife employees are a part.*

B. Budgetary Process Review

This section provides an overview of the budgetary processes and revenue streams from other states and identifies modifications to improve the approach currently utilized by the Washington Department of Fish and Wildlife.

1. COMPARISON WITH OTHER STATES.

To provide context for the discussion on the budgetary processes employed by the WDFW, we surveyed other state agencies’ approaches to this process. The other state agencies studied varied considerably in size and sources of revenue. The largest was Minnesota with an annual budget of approximately \$500 million; the smallest was Arizona with \$117 million. The Missouri Department of Conservation benefits from a dedicated sales tax that provides income stability as well as autonomy in many budgeting decisions (expenditures of the dedicated sales tax revenues are not subject to state appropriation requirements and do not need to be approved by the legislature.)



The budget development approval process varies significantly among the different state fish and wildlife agencies studied. Arizona, Minnesota and Oregon have a biennial budget process, while the other states are annual. In Minnesota, the budget review process is primarily conducted by the state legislature, with the legislature setting a base budget and then conducting hearings on

proposals from the division's executive office. In Missouri, the budget process is done almost entirely by the agency, and the legislature's approval is considered pro forma.

Most of the agencies studied include some form of public involvement in the budget process. This public involvement allows various constituencies to be heard and increases the likelihood of budgetary support at approval time. Two examples may provide models for WDFW to follow in future years to improve transparency and build support for the agency:

- Oregon's Department of Fish and Wildlife has a 40+ person external budget advisory committee, and holds eight town meetings throughout the state to review the budget before it is submitted to the legislature.
- While Minnesota's Department of Natural Resources doesn't have budget hearings outside of the state legislative process, there is a standing Budget Oversight Committee that monitors and makes recommendations regarding the state's Game and Fish Fund, which is financed primarily by hunting and fishing license fees and constitutes approximately one-third of the agency's budget. This committee has also advocated for the agency. In a letter to legislatures advocating for a fee increase, for example, members stated: *"Each year the Committee spends approximately 6 months scrutinizing the funding and expenditures from the Game and Fish Fund. Over the past several years the Committee has concluded that, by and large, the Fish & Wildlife Division does use funds appropriately and efficiently."*

In all cases, projections and budgets for individual departments and divisions are developed and vetted in conjunction with budget analysts, who report either to a finance/budget department or to the agency's executive director's office.

3. THE DEPARTMENT SHOULD MAKE CERTAIN CHANGES IN ITS BUDGETING PROCESSES TO ENSURE GREATER CONTROL AND TRANSPARENCY.

With a biennial budget of \$437.6 million, the WDFW shoulders significant responsibility for effectively budgeting and accounting for funds from a variety of sources – grant funding, fees collected from license purchasers, state general funds, and contracts held by the Department. In developing a biennial spending plan and offering transparency to staff and stakeholder, the Department faces a number of significant challenges, including:

- The level of granularity in the chart of accounts for each program varies widely, but in almost all cases is very deep, and requires the Chief Budget Officer and staff to ask a great number of questions of programmatic personnel regarding budget detail inquiries by the legislature and others.
- In part due to the complexity of the accounting structure, it takes the Department many months to develop their spending plans.
- The CAPS Financial system used to set the budget has certain limitations that inhibit the efficiency of the allotment process. For example, CAPS limits the number of funding sources to two (2) for any single budget code loaded into The Allotment Systems

(TALS), the enterprise resource management system used by OFM to review agency spending plans. Although staff in the Central Budget Office are able to work around this limitation, within certain limits, it is time consuming and inefficient.

- Although the Central Budget Office serves a critical role in the development of the overall Departmental budget, developing agency fiscal notes, and transmitting the incremental spending authority to the various programs and divisions, it plays a very limited role in determining how spending plans at the program level are developed.
- The proliferation of account codes is a further impediment to the efficient development of the budget; however, it is also an impediment to the Central Budget Office in being able to respond to inquiries about the budget from the legislature and others. In large part, this proliferation of account codes is a cultural issue in that WDFW staff who develop budgetary requests have historically tended to develop their individual budgets at a very granular level of detail for purposes of accountability, as well as to ensure that they are able to answer questions related to their budget submittals.

The following sections discuss these challenges, and make recommendations to address these in order to gain a greater degree of control and transparency over the budgeting process.

(1) The Agency Should Develop and Implement Certain Budget Policies to Standardize the Budget Process.

As described above, there are inconsistencies in the approaches used to develop budgets in WDFW. To some degree, this is a product of the nature of the agency's business, which relies upon a large number of local and federal contracts. The budgets for these contracts are often developed and monitored by scientific staff in the Fish, Wildlife and Habitat programs who have little or no experience in budget development. As will be noted in a later section, WDFW has far more FTEs involved in the budget process (over 30) than any of the three comparative agencies (Parks and Recreation, Natural Resources, and Ecology). In fact, there are approximately 257 different WDFW employees who have some involvement in the budget process in a typical budget cycle outside of the Central Budget Office. It is therefore perhaps more critical in WDFW to require a level of standardization than in the agencies to which it is compared.

The project team recommends that the Department develop and implement policies that address, at a minimum, the following:

- Description of the biennial budget process, including timelines, forms for submittal, etc.
- Description of response to legislative inquiries
- Development and content of fiscal notes
- Entry of spending plans in CAPS
- Proper use of Master Index (MI) and Project Index (PI)

- Requests for supplemental funding
- Indirect cost policy
- Fund transfers
- Grant proposals
- Description and meaning of the Zero-Based Budget Process
- Carryover policy

The development and implementation of budget policy is critical in the enforcement of standardization in the process of budget development, monitoring and reporting. The project team recommends that the Office of the Chief Budget Officer initiate the effort to develop this policy, including descriptions of the topics provided above.

Recommendation: The Office of the Chief Budget Officer should initiate the development of standard budget policies for the Department.

(2) The Current Systems Utilized in the Budget Process Are Inefficient.

The Department's CAPS financial system used to set the Department budget does not integrate with the State's allotment system. The CAPS system is used to develop expenditure plans at a level of detail that shows the actual staff costs, benefits, travel costs, etc., for specific projects, however the system (TALS) used by the State's Office of Financial Management is used primarily as a budget tracking tool that does not require this lower level of detail.

Another issue in the development of the Department budget is the varying levels of detail, or granularity, used by staff in the various programs. In many cases, field staff with little or no budgetary experience are developing budgets at fine levels of granularity that not only may not be necessary for budget tracking and reporting, but are at a level of detail that is different from another staff member who is responsible for the development of a different budget. The result is that the Departmental chart of accounts contains well over 5,000 line items.

There are multiple cultural, technological and operational issues that combine to create an inefficient and time-consuming budgetary process for WDFW. However, the overarching issue is the limitations related to the CAPS financial system. This system, which is unique to WDFW in the State organization, limits the number of funding sources for any single program to two (2), creating the need in many cases for CBO staff to work around this by changing the code in CAPS, which is time-consuming and, in certain cases, not adequate to capture all the funding sources even after this "work around." Another limitation is that CAPS "points" to the Master Index (MI) which is the same as the Program Index (PI). In a more robust financial system, the Budget Office would have the ability to include multiple MI's under a single PI, which would reduce the volume and complexity of the budget. As an example, the Wildlife Program may have a PI for a Deer program, and a PI for an Elk program. Under the current limitations of CAPS, there is an MI for both of these programs. In a more robust financial system, the CBO would have the ability to combine these separate Deer and Elk MI's under a single PI.

The issues described above have combined to create delays in the development of the budget for the Department, but perhaps as importantly, they are resulting in a nonstandardized approach to budget development, monitoring and reporting. This in turn diminishes the effectiveness of the Central Budget Office staff, as they frequently are required to contact field personnel or divisional Budget Analysts for answers to questions posed by OFM, members of the legislature and other external stakeholders due to the level of granularity at which budgets were initially developed and tracked.

The project team recommends that the Department of Fish and Wildlife streamline and standardize budgetary processes. These objectives can be achieved in three ways:

- Procure and install a new enterprise resource planning system that results in a greater level of transparency in the budget development process. This is necessary to replace the antiquated CAPS financial system for budget development, that will, itself, increase the efficiency of the budget development process, but it will also facilitate the standardization of the use of account codes.

The system should be capable of linking budget data to contract information as well.

- Standardize the level of detail used to develop and track budgets. Budgets are often developed by staff at relatively low levels in the organization who have limited knowledge of budget development techniques, and develop project budgets that are at such fine levels of granularity that it makes monitoring budgets difficult, and even unnecessary when tracking expenditures of \$500 to \$1,000, or even less in some cases.
- Standardize the use of account codes used to develop budgets. As described above, different programs and divisions utilize these codes in different ways, and many WDFW staff create individual program budgets at a level of granularity that requires the CBO to query the individuals who developed these budgets to be able to respond to inquiries from the legislature and others. The WDFW needs to be able to “layer” the use of account codes by creating multiple PI’s under a single MI in order to reduce the volume of codes used, and also to make the budget clearer and more understandable.

The goals should be to reduce the time expended in developing and tracking the budget, but also to ensure a common approach to the budgeting process. The Department has historically utilized a hybrid approach to the budgeting process, whereby there is a Central Budget Office with limited staff responsible for assembling, presenting and tracking the budgets. These staff interact with budget analysts within the various divisions and programs who are responsible for working with program staff to develop and submit their budgets to the CBO, and then develop spending plans once expenditure authority is provided.

The project team recommends that, in order to facilitate the standardization of the budgetary process, the Department transition to an organizational approach that consolidates the Budget Analysts, currently reporting to their respective programs, under the direction of the CBO. If the policies outlined in the prior section are fully implemented and address the operational problems noted, the Department could reevaluate whether or not to organizationally transfer the budget analyst positions. However, there is great value to the organization in placing the budget analysts within the programmatic areas in order to fully understand programs and projects, and

this should continue. However, in order to ensure that budgeting processes are standardized, greater degrees of communication and control are necessary from the CBO. This can be accomplished through the organizational consolidation of all phases of the budgetary process under the direction of a single authority.

Recommendation: Consolidate all Budget Analysts under the direction of the Chief Budget Officer in order to standardize approaches to budget development, tracking and reporting.

Recommendation: Procure and install a new enterprise resource planning system that replaces CAPS as a budget development tool, and is also compatible with the State’s The Allotment System (TALS) and Budget Development System.

C. Administrative Staffing Level Assessment.

Our consultants compared certain attributes of WDFW to those of the Parks and Recreation Commission (PARKS), the Department of Natural Resources (DNR) and to the Department of Ecology (ECY). These attributes included overall staffing levels, degree of centralization and decentralization of administrative functions, and budgetary levels. The following sections provide the findings and conclusions related to these analyses.

1. COMPARISON OF IN-STATE AGENCY PEER BUDGETS.

The total operating budget for WDFW is approximately \$437 million, which is greater than PARKS and DNR, but less than that of ECY.

Agency	Total FTE ¹⁸	Capital Budget	Operating Budget	Total Budget	Operating Budget per Employee
PARKS	756	\$77 mil	\$165 mil	\$242 mil	\$218,254
DNR	1,728	\$32 mil	\$320 mil	\$352 mil	\$185,185
ECY	1,566	\$667 mil	\$495 mil	\$1,162 mil	\$316,092
WDFW	1,896	\$158 mil	\$437 mil	\$595 mil	\$230,485

2. THE DEGREE OF CENTRALIZATION IN ADMINISTRATIVE FUNCTIONS IS SIMILAR AMONG THE FOUR COMPARATIVE AGENCIES.

The four agencies generally have similar levels of centralization of support services, as the following table shows.¹⁹

	PARKS	DNR	ECY	WDFW
--	-------	-----	-----	------

¹⁸ Source: Office of Financial Management Workforce Headcount by Job

¹⁹ The terms “Central” and “Program” are used in the table to denote the number of employees performing the noted support function in the central office of the agency, and the number performing the support function in program areas located outside the central office.

Function	Central	Program	Central	Program	Central	Program	Central	Program
Purchasing	7	0	6	1	5	0	8	4
Budget	5	2.95	5	10.7	8	16	5	30.8
HR	9	0	14.85	11	22	0	23	0
IT	13	0	46	60	90	46	61	42
Fiscal Svcs	15	0	23	31	31	0	36	4

Although there are notable differences between the agencies regarding the centralization of certain support services, there are more similarities, as the following table summarizes.

Service	PARKS	Department of Natural Resources	Department of Ecology	Department of Fish and Wildlife
Human Resources	Stand-alone HR Department	Stand-alone HR Department	Stand-alone HR Department	Stand-alone HR Department
Information Technology	Included in Administrative Services Division, although some operating divisions have dedicated IT staff	Stand-alone IT Department, although many operating divisions have dedicated IT staff.	Stand-alone IT Department, although some operating divisions have dedicated IT staff	Stand-alone IT Department, although some operating divisions have dedicated IT staff
Budget	Included in Administrative Services Division. Some operating divisions have dedicated budget analyst positions	Included in the Budget, Finance, Economics and Risk Management Department. Some operating divisions have dedicated budget analyst positions	Included in the Financial Services Division. Some operating divisions have dedicated budget analyst positions.	Included in the Technology and Financial Management Program. Some operating divisions have dedicated budget analyst positions.
Finance and Administration	Included in Administrative Services Division	Included in the Budget, Finance, Economics and Risk Management Department. A substantial number of Fiscal Analysts reside in programmatic	Included in the Financial Services Division.	Included in the Technology and Financial Management Program.

		sections of the agency.		
Procurement and Contracts	Included in Administrative Services Division	Included in the Budget, Finance, Economics and Risk Management Department	Included in the Financial Services Division.	Included in the Technology and Financial Management Program.

Highlights from a review of the two tables include:

- The Human Resources function is largely centralized, with only the Department of Natural Resources having Human Resources consultants located within the programmatic areas of the agency.
- Likewise, the Purchasing and Contracts function is highly centralized, with WDFW being the only agency with significant numbers of employees performing these functions in programmatic areas. As will be shown in the next section, this may be explained by the very large number of contracts handled.
- Fiscal Services (e.g., accounting, payables, receivables, etc.) is also highly centralized. DNR is the clear exception, as that agency is highly decentralized. WDFW currently has four such Financial Services employees located in the Licensing Division, and the project team has made the recommendation, in another section of this report, to centralize these employees within the central Fiscal Services section.
- Information Technology services are commonly decentralized, although Parks and Recreation is the exception in this regard. The central IT organization in other agencies handle agency-wide initiatives, such as maintenance of the agency' servers, hardware, cybersecurity, database management and the development of digital applications and tools for the agency. Some larger functional areas within these agencies (notably the Fish Program in WDFW) have dedicated staff who develop program-specific applications, and support unique products that are not supported by the central IT division.
- The Budget function is highly decentralized in each agency, but no more so than in WDFW, with about 29 FTEs who have significant involvement in the budget process distributed throughout the agency, compared to 6.4 in the Central Budget Office. There are factors that are unique to WDFW which have led to the decentralized structure, which include the large number of contracts with federal and local agencies which are developed and monitored by a wide range of employees. There are also many Master

Indices which inhibit the ability of a single centralized budget office to track, and to respond to legislative inquiries.

There are advantages to both centralization and decentralization of functions, including those listed in the table below.

Advantages of Centralization and Decentralization

Advantages of Centralization	Advantages of Decentralization
<p>Standardization. Centralizing the management and control of functions ensures that a uniform approach is followed.</p>	<p>Empowerment of employees. Decentralizing operations can result in employee growth and job satisfaction by empowering them to use different approaches, and to develop creative solutions to problems.</p>
Advantages of Centralization	Advantages of Decentralization
<p>Control. A high degree of centralized control can result in not only standardization, but use of resources, greater accountability and ability to act on necessary changes.</p> <p>Reduced conflict. Centralization can reduce conflict by reducing the number of employees involved in decision-making when changes in processes, policies and operations are needed.</p> <p>Reduced administrative overhead. Centralizing functions can result in the elimination of duplicative managerial efforts of those overseeing similar functions throughout the organization.</p>	<p>Creation of “laboratories” for innovation. Decentralization ensures that multiple individuals and/or organizational units develop unique approaches to operations and associated problems that arise.</p> <p>Reduced need for communications. Communication is important when carrying out any function, so the “reduced” need for communication does not imply that communications itself is unimportant, but that the need for communication across multiple levels of the organization is reduced through decentralization.</p> <p>Handling of unique operational characteristics. There is little advantage to centralizing operations that display unique operating needs and requirements that can best be handled by employees with the greatest knowledge of these requirements.</p>

The functions of Human Resources and Financial Services are currently centralized, not only in WDFW, but generally in each of the three comparative state agencies. In the experience of the project team, these functions are appropriately centralized due to their needs for standardized approaches in complying with the regulations that apply to each.

WDFW has the most decentralized approach to administering procurement and contracts, however, it also has by far the largest number of contracts, and the majority of these originate within the Fish, Wildlife and Habitat programs, which have the greatest degree of knowledge of the programs. Therefore, this approach is appropriate for WDFW.

Information Technology services are generally decentralized, with the exception of the Parks and Recreation Commission, which is not only the smallest of the four agencies in the comparison, but also has by far the fewest number of Information Technology Specialists overall. This is a function that, in larger organizations, has both centralized and decentralized elements, and that is the case with WDFW, DNR and ECY, as is shown in the tables. There are clear needs to centralize the maintenance and management of servers, as well as the cybersecurity efforts, which WDFW has done. However, there are also unique needs at the program levels of the agency that can best be addressed in a decentralized manner, which three of the four agencies have done.

The Budget function is one which has both centralized and decentralized elements within each of the four agencies. However, WDFW has the smallest centralized staffing level of any of the four as a ratio to the number of FTEs performing budget-related duties in the programmatic areas. As was described above, this is due to some unique factors within WDFW's contractual needs, as well as the proliferation of the number of Master Indexes.

It is notable that, although the Department of Ecology's Budget function is a hybrid of centralized and decentralized activities, its reporting structure between the central office and the budget analysts in the programmatic areas is more formalized. The budget analysts in the programs have responsibility for assisting in developing, monitoring, amending and reporting on their programs' budgets, but have a "dotted line" reporting relationship with the Chief Financial Officer and, by extension, the Chief Budget Officer. These budget analysts meet regularly with the central budget office to coordinate on budget development, reporting and monitoring activities.

The project team does not recommend changes in the degrees of centralization in Human Resources, Financial Services, Information Technology or Procurement/Contracts. However, we recommend that WDFW transfer the budget analysts currently located in the program areas to the Central Budget Office.

The Department of Ecology model recognizes the desirability of placing technical budget expertise at the program level in order to best understand the unique operating requirements of Fish, Wildlife, Habitat, Enforcement and Capital Asset Management. However, WDFW would benefit from a more centralized approach to the budgetary process through standardization of budget development and coding that can best be accomplished through a direct reporting relationship between the Budget Analysts and the Chief Budget Office.

As previously noted, if the development of budget policies and procedures addresses the noted issues identified and provides the level of internal control needed, the Department could reconsider the recommendation to transfer the budget analysts to the Central Budget Office.

Recommendation: Retain the current degrees of centralization and decentralization in WDFW Human Resources, Financial Services, Information Technology and Procurement/Contracts.

Recommendation: Transfer the Budget Analysts in the program areas of the agency to the Office of the Chief Budget Officer in order to achieve a greater degree of standardization over the mechanics of budget development, the use of master and project indices, and other advantages.

3. STAFFING LEVELS WITHIN THE DEPARTMENT'S SUPPORT FUNCTIONS ARE APPROPRIATE.

This section of the report assesses the staffing levels of the support services functions in WDFW. In order to facilitate the analysis of the appropriateness of staffing levels within the context of the workloads performed by each, the following table is provided again below to show the staffing levels for the functions of Purchasing/Contracts, Budget, Human Resources, Information Technology and Financial Services for WDFW and the three comparative agencies of the Parks and Recreation Commission (PARKS), the Department of Natural Resources (DNR) and the Department of Ecology (ECY).

Function	PARKS		DNR		ECY		WDFW	
	Central	Program	Central	Program	Central	Program	Central	Program
Purchasing	7	0	6	1	5	0	8	4
Budget	5	2.95	5	10.7	8	16	5	30.8
HR	9	0	14.85	11	22	0	23	0
IT	13	0	46	60	90	46	61	42
Fiscal Svcs	15	0	23	31	31	0	36	4

The staffing levels in the tables are not meaningful without being placed within the context of their respective workloads. Clearly, there are many ways by which to measure and portray these workloads, however for ease of comparison between the four agencies, the project team selected those with some degree of commonality between them. The workload measures selected were as follows:

Function	Workload Measure
Purchasing	<ul style="list-style-type: none"> • Number of purchase orders • Number of contracts
Budget	<ul style="list-style-type: none"> • Number of fiscal note requests • Count of Master Indices (MI) • Number of funds, and the number which are dedicated or restricted
Human Resources	<ul style="list-style-type: none"> • Number of employees supported
IT	<ul style="list-style-type: none"> • Number of employees supported
Financial Svcs.	<ul style="list-style-type: none"> • Number of payables processed

The following table provides the workload metrics for WDFW and for the three comparative state agencies.²⁰

Metric	WDFW	PARKS	DNR	ECY
Purchasing/Contracts				
Purchase Orders	835	93		1,576

²⁰ Only partial data were obtained from DNR.

Contracts	1,388	218 (includes Public Works Contracts and "other agreements")		147
Budget				
Fiscal Note Requests	Average long session: 118.5 Average short session: 61.5	27 (2017 session)	101 (2017 session)	Average 150 for last 4 long sessions. Averaged 120 for past 4 short sessions
MI Count	5,000	About 1,819	260 (operating) 90 (capital)	3,118
Metric	WDFW	PARKS	DNR	ECY
Fund Count	Total funds: 57 Funds dedicated/restricted: 52	Total funds = 27 Funds dedicated/restricted = 11	Total funds = 17 Nonappropriated funds = 6	Total funds: 56 Funds dedicated/restricted: 49
Financial Services				
Accounts Payable Processed ²¹	127,136	31,357		12,650
Information Technology				
Employees Supported	1,823	756	1,622	1,430
Human Resources				
Employees Supported	1,850	747	1,702.15	1,544

(1) The WDFW Purchasing and Contracts Function Has the Greatest Number of Staff, However These Levels Are Appropriate Given the Associated Workloads.

The central Purchasing and Contracts Division of WDFW is staffed with a Purchasing Manager, a Contracts Specialist 1, a Contracts Specialist 2, two (2) Contract Specialists 3, two (2) Procurement and Supply Specialists 2, and a Procurement and Supply Specialist 3, for a total of eight (8) FTE. In addition, there are four contracts and procurement specialists in programmatic areas of the agency outside of the central Procurement Office.

With eight employees performing procurement and contracts functions, either full or part time, this is the largest contingent of any of the four agencies in the comparative set. However, as the workload table shows, the central Procurement Office processed 835 purchase orders, which is only about half of the number processed by ECY, but almost nine times the number

²¹ Includes "P-card" payable processes

processed by PARKS. More significantly, however the WDFW Procurement Office administers a very large number of contracts compared to other agencies, with 1,388 compared to 218 for PARKS and 147 for ECY.

The number of Procurement and Contracts staff in WDFW is appropriate given the workload. The agency relies on a large number of local and federal contracts to supplement the general fund appropriation, and these are administered centrally with the eight staff members.

Recommendation: Retain the current level of staffing in the Procurement and Contracts Division.

(2) The Central Budget Function Is Appropriately Staffed.

The central Budget Office of WDFW is staffed with a Chief Budget Officer, two (2) Senior Budget Analysts, a Budget Analyst 4, and a Budget Analyst 3, for a total contingent of five (5) personnel.

The project team endeavored to determine the full time equivalent (FTE) personnel engaged in budget-related activities in WDFW, as well as the three comparative state agencies. This was accomplished first by determining the number of positions performing budgetary functions, as noted in the State's Office of Financial Management (OFM) database of headcounts per agency. As some of the titles are non-descript (e.g., "Management Analyst", "WMS"), the project team listed the questionable titles and got clarification from the agencies regarding positions duties for these employees. Those that had budget-related duties were added to the positions whose job titles indicated that they performed budget-related duties, and the agencies were asked to assign a percentage of time expended by each of the noted employees in budget-related duties, which were defined as:

- Developing spending plans, tracking spending plans, using pivot tables
- Fiscal Note/Decision package involvement
- Monitoring fund balances
- Reading/developing variance reports
- Contract monitoring/tracking
- Revenue/expenditure projections
- Chart of Accounts / MI coding
- Budget development

The results of this exercise have been listed in the staffing table above.

Note that WDFW has the same number of central budget staff (five) as PARKS and DNR, and three fewer than are present in the central budget office of ECY. However, there are substantially greater numbers of staff who perform budget-related activities on either a full or part-time basis in the programs in WDFW (30.5) than are in the three comparative agencies.

In reviewing the workload data, the disparities in the number of budget-related staff in WDFW may be at least partially explained. As was described above, the project team used three measures of workload, each of which require expenditures of staff time for different reasons. The WDFW Central Budget Office is required to develop fiscal notes, which are provisions of estimated fiscal impacts of legislation or legislative proposals. Budget staff must provide estimates of expenditures or cash receipts in these cases, which requires substantial expenditures of time by Budget staff. For the past two long sessions of the legislature, the

WDFW central budget staff prepared an average of 118.5 fiscal notes, and 61.6 for the past two short sessions. The budget staff of ECY prepared an average of 150 for the past four long sessions and an average of 120 for the past four short sessions. This is about 26% more than that of WDFW for the long sessions, and about 95% greater than for the short sessions. The number of fiscal notes prepared by DNR was slightly less (101) in the 2017 long session, and the number of fiscal notes prepared by PARKS was substantially less than any of the other three agencies, at 27.

Another measure used by the project team to gauge workloads in the agencies was the number of master indices in use. The larger the number, the more complex and timeconsuming is the development, monitoring and reporting efforts on the parts of the budget staff. With approximately 5,000, WDFW has significantly more than any of the other agencies.

Finally, WDFW and ECY have very similar numbers of total funds monitored and numbers of restricted accounts, and both agencies have substantially more than both PARKS and DNR.

WDFW and ECY are very similar in terms of the workloads produced by their respective staffs. However, the two agencies produce this workload using two different models, with WDFW using a much more distributed method, and ECY using a somewhat more centralized one that utilizes more central staff and relies on fewer program staff.

The project team recommended in an earlier section of the report that WDFW should centralize the provision of budgetary services by organizationally transferring the programmatic Budget Analysts to the Office of the Chief Budget Officer. However, there is little basis for recommending an overall reduction in staff utilized in the budget process due to the large number of individual employees in the programmatic functions of the agency who are involved to very small degrees in these processes. In fact, there are 257 different employees who comprise the 30.8 FTEs involved to some degree in the budgetary process outside the central budget office. The recommendation, therefore, is to reiterate recommendations already made in the report, which is to replace the CAPS system with a more functional software solution, and to organizationally transfer the Budget Analyst staff to the Office of the Chief Budget Officer, keeping these employees physically located with the programmatic staff they support. The combination of these two recommendations will, along with a cultural change at the program level in the reduction of the number of MIs, may result in a related reduction in the number of staff involved in the budget process. However, the current staffing level of the Office of the Chief Budget Officer should not be reduced overall.

Recommendation: As was recommended in an earlier section of the report, transfer the program Budget Analysts to the Office of the Chief Budget Officer, retaining the overall staffing at current levels.

(3) The Staffing Levels of WDFW Human Resources Services Is Similar to That of Other Agencies.

The project team analyzed the staffing levels of Human Resources services in terms of the numbers of employees supported by the respective staffs of the comparative agencies. The table below provides the calculations.

Description	PARKS	DNR	ECY	WDFW
Total Agency FTEs	756	1,728	1,566	1,896
Less: HR Employees in Central Office	9	14.85	22	23
Less: HR Employees in Divisions	0	11	0	0
Total Employees Supported	747	1,702.15	1,544	1,873
Total Employees Supported per Central Office HR Employee	83.0	114.6	70.2	81.4

From the table, it can be seen that WDFW has the largest number of Human Resources professional staff of any of the comparative agencies. However, these staff members each support 81.4 employees, which is generally in line with other agencies.

It should be noted that the Department of Natural Resources has 11 employees who support specific programs outside the central office. However, these employees also perform other duties, and the percentages of time spent in human resources support activities are not known with any precision. These staff have not been considered in the calculation of numbers of employees supported by Human Resources staff. Therefore, it is likely that the effective number of employees supported by all human resources professional FTEs in DNR is somewhat less than the 114.6 that is shown in the table, which would bring this Department more in line with other agencies. In the assessment of the project team, the staffing contingent of the Human Resources Division of WDFW is appropriate in comparison to other comparable state agencies, as well as to other human resources functions with which the project team has experience.

Recommendation: Retain the current staffing levels of the Human Resources Division.

(4) There Is Considerable Variation in the Levels of Information Technology Support Staffing, However WDFW’s Staffing Levels Are Well within the Range.

The project team analyzed the staffing levels of Information Technology services in terms of the numbers of employees supported by the respective staffs of the comparative agencies. The table below provides the calculations.

Description	PARKS	DNR	ECY	WDFW
		1,728	1,566	1,896
Total Agency FTEs	756			

Less: IT Employees in Central Office	13	46	90	61
Less: IT Employees in Divisions	0	60	46	42
Total Employees Supported	743	1,622	1,430	1,793
Total Employees Supported per Central IT Employee	57.2	35.3	15.9	29.4

As the table shows, there is somewhat more variation in the numbers of employees supported by central IT staff than was the case for Human Resources in the previous section. This is likely at least partially due to the relatively large numbers of Information Technology Specialists located throughout the agencies (with the notable exception of PARKS). The presence of these IT professionals reduces the requirement for direct involvement of the staff in the central Information Technology divisions in support of these divisions, but does not entirely eliminate it. However, the degree to which this support is diminished due to the presence of divisional Information Technology Specialists may vary between agencies.

Given that the calculations were performed in the same manner for each of the agencies, it is not unreasonable to make comparisons, and although the average number of agency employees supported by the central IT divisions shows some variability, the figure reflected for WDFW is within the range of 15.9 in the Department of Ecology, and the 57.2 shown for the Parks and Recreation Commission, which appears to be an outlier both because of the magnitude of the figure, but also due to the lack of decentralized IT professionals in the agency. Perhaps the more appropriate range is, therefore, 15.9 (ECY) and 35.3 (DNR). The WDFW figure of 29.4 falls between these two figures. The project team, therefore, makes no recommendation to increase or decrease Information Technology staff in WDFW.

Recommendation: Retain the current levels of Information Technology staff.

(5) WDFW Financial Services Staff Process a Large Number of Payables with the Current Staff.

In analyzing the staffing levels of the Financial Services functions, the project team utilized the number of payables processed by the staff in the respective comparative agencies. Although the Department of Natural Resources did not provide figures for the number of payables processed by its Financial Services staff, the WDFW process many more than either PARKS or ECY, both on an absolute basis, as well as on a per-employee basis, as the table below shows.

Description	PARKS	DNR	ECY	WDFW
Payables Processed ²²	31,357	Unavailable	12,650	127,136

²² Includes Purchase Card, or "P-card" transactions

Central Financial Services Staff	15	23	31	36
Payables Processed per Central Financial Services Staff Member	2,090.5	NA	408.1	3,531.6

As the table shows, the WDFW Financial Services staff process far more payables transactions than either PARKS or ECY. Even considering that payables transactions are but one service provided by the Financial Services staff, the disparity between WDFW and the two reporting agencies is exceptionally wide, and perhaps indicative of efficiencies not present in other Financial Services divisions in these agencies. The project team has made a recommendation elsewhere in this report to transfer the three Fiscal Analysts currently in the Licensing Division to the Fiscal Services Division of TFM.

Even with this transfer, the number of payables processed would be 3,260 per employee. Considering that there will be additional payables transactions that are also transferred from the Licensing Division, this number is likely understated, and would more likely be closer to the 3,531.6 shown in the table.

One possible factor in the relatively large average number of transactions processed by WDFW fiscal staff is the refinement and streamlining of financial processes by the Lean initiative. This has been a major initiative in recent years in the division, and has resulted in the re-engineering of several internal processes, which in turn has increased productivity. In any case, the Fiscal Services Division appears to be appropriately staffed and, further, appears to be operating efficiently with its current staffing contingent.

Recommendation: Retain the current level of staffing in the Fiscal Services Division.

Appendix D

Appendix D: Expenditure Reduction and Funding Sources Options and Evaluations

July 20, 2018

The Washington Department of Fish and Wildlife (WDFW) is projecting a \$33 million budget shortfall in FY 2019. This document describes efforts to apply legislatively-specified and other criteria to identify how expenditures can be reduced by \$31 million if new funding is not obtained (WDFW is taking \$2 million in cuts in efficiencies or lower priority work). It also describes a set of potential additional work to make critical investments to better serve hunters, anglers, and recreational users, make faster progress on salmon and killer whale recovery, and protect other fish and wildlife species before they become endangered. We are requesting an additional \$28 million for these investments.

Expenditure Reductions

Expenditure reductions were identified in each of the eight outcome areas established in the legislatively-directed zero based budget exercise, completed in 2018. These outcome areas are:

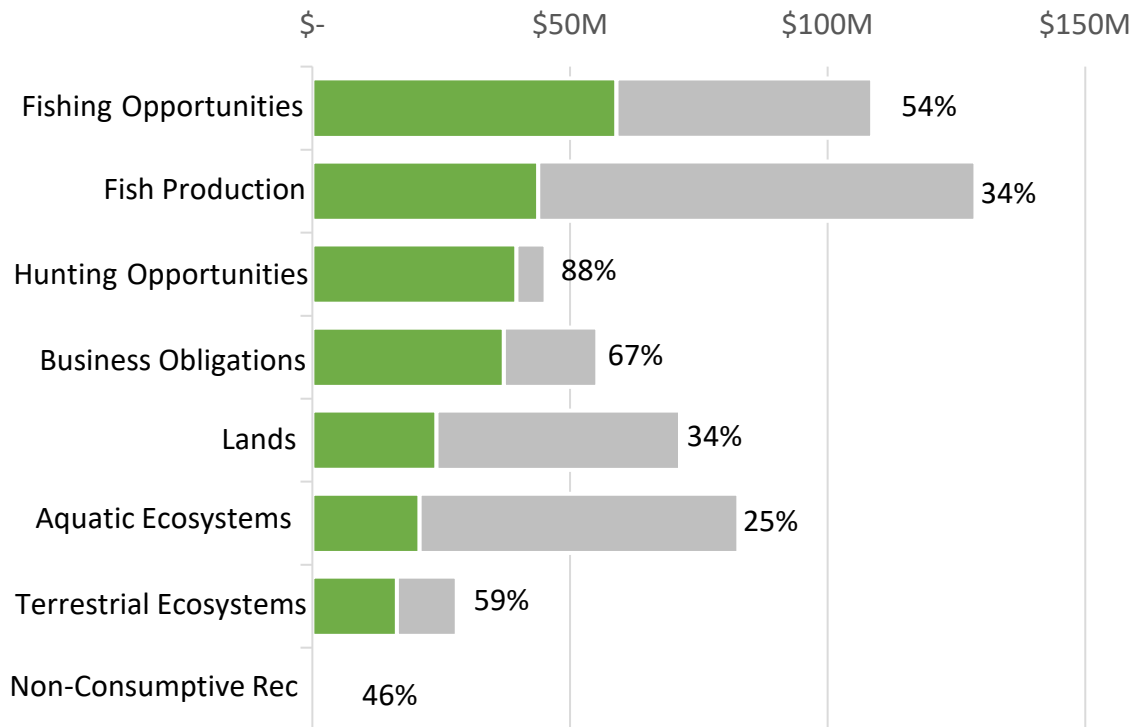
1. Preserve & Restore Aquatic Habitat and Species
2. Acquire & Manage Lands
3. Preserve & Restore Terrestrial Habitat and Species
4. Manage Fishing Opportunities
5. Produce Hatchery Fish
6. Manage Hunting Opportunities
7. Non-Consumptive Recreational Opportunities
8. Business Management & Obligations

Within each outcome area, potential **expenditure reductions were limited to reductions which could be accomplished within “flexible” funding**. Flexible funding is funding which the Department has the ability to allocate to work across more than one Outcome, so long as it is consistent with the requirements of that fund source. Flexible funding includes funds from state general fund, state non-restricted wildlife funds (largely from hunting and fishing licenses).

Approximately half of the Department’s funding is potentially flexible.

Restricted funding is funding which is specified by the legislature or another funder for a discrete purpose. Work tied to restricted funding sources was not included in the expenditure reduction analysis because the Department must spend those funds on the specified work. Restricted funds include funding tied to legislative provisos, federal and state contracts such as the National Marine Fisheries contract for Southern Resident Killer Whale recovery, and funds from restricted user fees such as funds from the bighorn tag auction.

The figure below shows flexible funding by outcome



For each outcome, the Department convened an **Outcome Leadership Team (OLT)** made up of managers and senior staff with a deep understanding of the work that contributes to each outcome. These teams **identified a 20% reduction in the flexible funding associated with each outcome using 14 criteria** ranging from the impact on conservation and the public to cost savings. In some cases, they also were provided with additional instruction from Department Leadership on how to apply the criteria in their work area. Attachment 1 describes the criteria. Attachment 2 summarizes this additional direction where it was given.

OLTs identified a total of \$51 million in potential reductions in flexible funding across all outcomes.

The \$51 million in potential reductions developed by OLTs were reviewed by the Department’s Executive Management Team, which used the same 14 criteria along with their assessment of the level of performance currently being achieved for each outcome. **WDFW Executive Management identified \$2.1 million in reductions which represent work which is no longer needed and should be taken regardless of FY 2019 funding, along with an additional \$31 million which represents the remaining potential reductions and will be cut if new funding is not obtained.**

Other Scenario

For comparison, WDFW explored an additional scenario. WDFW held direct services to hunters and anglers apart and explored what it would look like to take the entire \$33 million in cuts from work related to preserving and restoring aquatic habitats and species, preserving and restoring terrestrial habitats and species, and business and management obligations. This would reduce current spending in those outcome areas by 27% from \$111 million to \$81 million and would result in:

1. Reduced services (*From the list of strategies that support each outcome*)
 - a. Less protection of fish from construction projects (via Hydraulic Project Approval permits)

- b. Less consultation with businesses, landowners, and governments to protect aquatic and terrestrial species
- c. Less oil spill mitigation
- d. Less instream flow science expertise to support water right permit requests for Ecology and to support state and federal water management policy
- e. Less habitat protection grant administration and acquisition capability
- f. Less capability to monitor and manage species
- g. Less capability to monitor and control aquatic invasive species
- h. Less capability to study climate change impacts
- i. Less permitting and enforcement capability
- j. Less response to wolf conflicts

In addition, it would have adverse effects on hunting and fishing, because healthy, self-sustaining populations of harvested species depend on adequate habitat for feeding, breeding, and rearing.

Strategic Investments

After identifying the potential expenditure reductions resulting from the projected budget shortfall, the Department shifted its analysis to identify potential strategic investments to enhance performance. The same Outcome Leadership Teams which identified potential cost reductions also identified potential strategic enhancements. Enhancements were focused on areas where performance was assessed to be particularly lacking and where increased spending could produce significant results. OLTs identified \$71 million dollars in potential enhancements. The WDFW Executive Management Team reviewed OLT results using the same 14 criteria used to identify potential expenditure reductions and arrived at a package of \$28 million in potential enhancements focused on improving service to hunters, anglers, and recreational users, making faster progress on salmon and killer whale recovery, and protecting other fish and wildlife species before they become endangered. The table below describes the requested enhancements.

Decision Package	Amount	% from GF-S	% from WL-S	% from CRSSE
Enhance Conservation	\$12.9M	100%	0%	0%
Enhance Hunting	\$3.9M	60%	40%	0%
Enhance Fishing	\$6.3M	77%	20%	3%
Lands Enhancement	\$4.2M	100%	0%	0%
RFEG	\$0.9M	100%	0%	0%

It was noted in the Executive Management Team, the Budget and Policy Advisory Group, and the Fish and Wildlife Commission that the enhancements are more of a “down payment” on what would be needed to improve fish and wildlife conservation in the state. The Department will undergo a Strategic Plan development process that will describe the vision and trajectory for fish and wildlife management over the coming decades, and will inform future needs assessment.

Attachment 1: Criteria Used to Identify Potential Expenditure Reductions

Criteria Specified by the Legislature	
Criterion	Evaluation
1. Impact on achieving financial stability	How much closer to financial stability would this change make the Department considering the total amount of spending or revenue change? Also consider demand for the work being cut or added, ability of staff to complete the work, implications for other required work (if any), and total amount of spending or revenue change. In general, changes that significantly undercut the Department's ongoing ability to deliver required or highly demanded services are less stable than changes which do not. Finally, for new revenue sources only, also consider the variability of the revenue source over time.
2. Impact on the public	Does the change increase or decrease access or cost of access to WDFW lands and services? Also consider whether the change would significantly impact DFW's ability to provide services to the public such as education/outreach and enforcement. Also consider whether the change is likely to have positive or negative indirect impacts on the public through loss of biodiversity, habitat loss or degradation (or enhancement) and related changes to ecosystem services, and likely changes to direct and indirect economic activity related to wildlife watching and other outdoor recreation that uses WDFW lands.
3. Impact on fisheries	Does the change increase or decrease the cost of fishing, access to fishing sites, or the number of fish produced? Also consider whether the change would significantly impact DFW's ability to provide services to the fishing community such as season setting, license provision, customer service, education/outreach, monitoring and stock management, and enforcement. Also consider whether the change is likely to have positive or negative indirect impacts on fishing through habitat loss or degradation (or enhancement), and likely changes to direct and indirect economic activity related to fishing. Does it result in a hatchery closure? (Closures are to be minimized.)
4. Impact on hunting opportunities	Does the change increase or decrease the cost of hunting or access to hunting areas? Also consider whether the change would significantly impact DFW's ability to provide services to the hunting community such as season setting, license provision, customer service, education/outreach, disease research and stock management, monitoring, and enforcement. Also consider whether the change is likely to have positive or negative indirect impacts on hunting through habitat loss or degradation (or enhancement), and likely changes to direct and indirect economic activity related to hunting.
5. Impact on timeliness	How much time will it take to realize negative or positive outcomes from the expenditure reduction or new revenue?
6. Impact on ability to achieve outcomes	How likely is WDFW to be able to achieve its strategic goals and outcomes in light of the expenditure reduction or new revenue?

Additional Criteria Developed by WDFW

1. Conservation impact	Does the action increase or decrease conservation outcomes by, for example, providing or maintain critical habitat for priority species.
2. Long-term impact	How long will the positive and negative effects of the action be experienced? This is meant to flag, in particular, actions which would result in having to re-invest later or require more work/investment to catch up after falling behind. Preference should be given to actions which result in permanent “real” savings (not one-time actions such as increasing the agency vacancy rate) and where the savings is contained in the activity and doesn’t push costs to somewhere else in the organization.
3. Species protection priority	Protection and restoration of native, federally listed fish is the highest priority, followed by protection and restoration of native state listed fish, then protection of native fish, and finally protection of non-native fish.
4. Obligation priority	Federal and tribal co-management obligations are the highest priority, followed by obligations of state law, followed by obligations of state regulations and finally policy.
5. Economic return on investment	How much economic damage or return is the action likely to create for the state’s economy?
6. Political viability	Does the action require approval by the legislature and, if so, is approval likely? What is the level of constituent and public support (or opposition) for the action?
7. Uniqueness to WDFW mission	Is this something that is unique to WDFW’s mission or technical expertise? Is it something no other federal or state agency does/ can do? Cuts to work that are discretionary for WDFW but mandatory for another state or federal agency should be prioritized.
8. Cost savings	What is the cost savings (or increase) of the action? Ideal actions have a low cost and high benefits or result in significant savings and minimal decrease in outcomes.

Appendix E

Appendix E: Summary of Research into Selected State Fish and Wildlife Programs

I. Overview

To support the deliberations of the Budget and Policy Advisory Group, the Washington Department of Fish and Wildlife (WDFW) and Ross Strategic researched the authorities, funding sources and budgets, license fees, and recommendations for alternative funding for fish and wildlife agencies in the following 16 states: Arizona, California, Colorado, Florida, Idaho, Maine, Minnesota, Missouri, Montana, Nevada, New Mexico, Oregon, Pennsylvania, Vermont, Virginia, and Washington.

This memorandum describes key themes from the state fish and wildlife agency funding research, which is compiled in the accompanying spreadsheet. The first three tabs (State and Department Profile, Funding Portfolio, and License Fees) summarize information across the 16 states. The remaining tabs provide detailed information and sources for each state. Both WDFW and Ross Strategic have contacted state agency representatives to verify the budget and license fee information. To date, 11 states have confirmed the data included in Figure 1 and the attached spreadsheet. States that have been verified are marked with an asterisk.

II. Themes

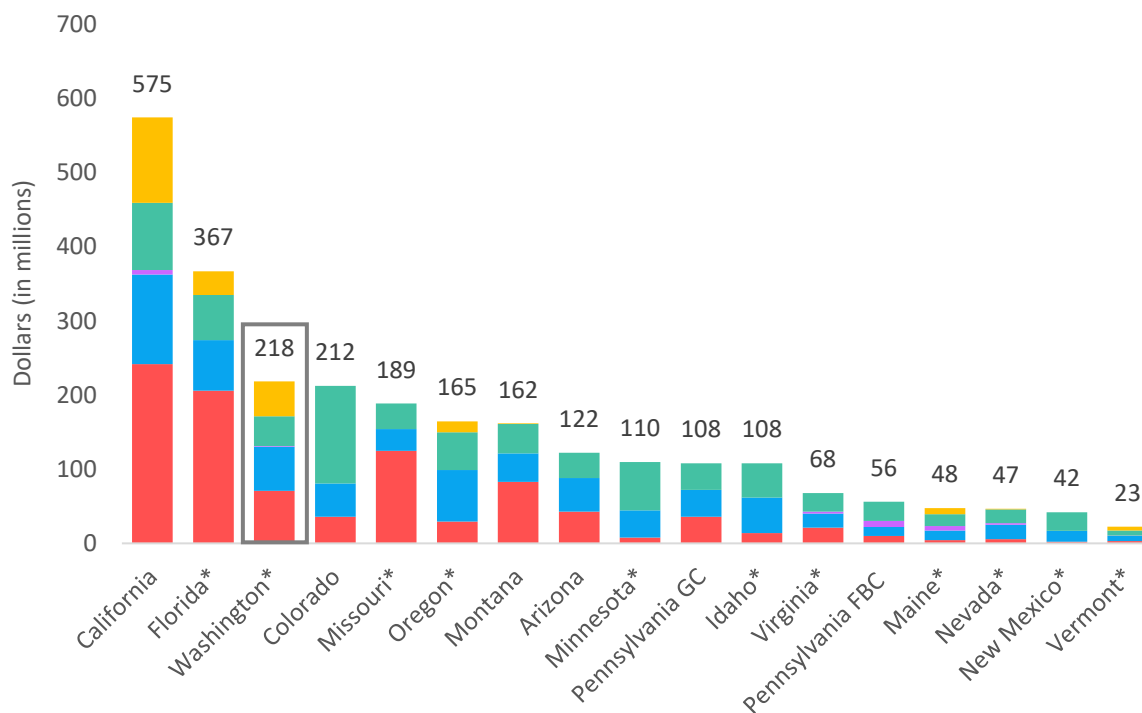
A. State portfolios varied, especially based on dependence of general funds.²³

Figure 1 below shows a comparison of states' budgets based on the following five funding categories: general fund, license fees, nonconsumptive user fees, federal, and other. Across the 16 states, the two most prominent agency funding sources were state general fund and license fees. Seven of the states examined do not receive any general fund revenue. Five states receive under 10% of their budget from general fund. Washington, California, Maine, and Vermont receive approximately a fifth of budget funding from general fund. Percent of total funding from license fees ranged from 63% in New Mexico to 16% in Florida, with the average percent total funding from license fees across the 16 states being 35%. Washington receives 18% of its budget from license fees, which is the second lowest percent.

In addition to general fund and license fees, states receive federal funding and a variety of other funding sources, such as dedicated state accounts and sales taxes. Six of the 16 states receive funding from nonconsumptive users through a pay-per-use model, such as the Discover Pass in Washington.

²³ Note: State budget information is based on publicly available information on agency website and in published reports. We are in the process of verifying these numbers with state agencies.

Figure 1. Fish and Wildlife Agency Funding Levels



Notes: Pennsylvania’s fishing and game are managed by two different commissions, the Fish and Boat Commission, and the Game Commission. We have shown each commission separately in the chart above.

The Minnesota Division of Fish and Wildlife is part of the Department of Natural Resources; the budget data displayed are for the Division of Fish and Wildlife rather than the full Department of Natural Resources.

These data were gathered using each state agency’s website or budget publications for the most recent year available. State budget information is based on publicly available information on agency website and in published reports. An asterisk (*) indicates the budget information has been confirmed.

B. Fish and wildlife agencies have diverse management responsibilities and authority, which is a contributing factor to the wide range of budget appropriations.

Most agencies examined are responsible for fish, wildlife, habitat, wildlife areas, and enforcement, but only four states (including Washington) have marine fish responsibilities. About half of the departments are responsible for setting their own license fees, and only two departments (Montana and Colorado), are responsible for managing parks. Across the 16 states, the wildlife area acreage ranges from 106,000 acres managed by the Maine Department of Inland Fisheries and Wildlife to 5.8 million acres managed by the Florida Fish and Wildlife Conservation Commission. WDFW is responsible for 1 million acres. These factors, along with others such as tribal co-management and hydropower impact mitigation, contribute to variability among state agency budgets; this variability makes high-level comparisons of state agency funding portfolios difficult.

C. There is a wide range of total license fee costs across states.²⁴

Resident and non-resident angling and hunting licenses had a wide range of prices across the states examined; Table 1 and Table 2 compare Washington’s license fees for deer, elk, small game/turkey, freshwater fishing (recreational, not

²⁴ Note: License fee information is based on agency websites. We are in the process of verifying these fees with the state agencies.

commercial fishing), and sports packages (which are typically a combination hunting and fishing licenses), to the low, median, and high prices of all 16 states.²⁵

Table 1. Resident Licenses

	Washington	Low	Median	High
Deer	\$67	\$5 (FL)	\$41 (CO)	\$82 (AZ)
Elk	\$73 (median)	\$25 (NM)	\$73 (WA)	\$493 (CA)
Small Game	\$41 (high)	\$10 (MO)	\$22 (ID)	\$41 (WA)
Freshwater Fishing	\$30 (median)	\$12 (MO)	\$30 (WA)	\$48 (CA)
Sports Package	N/A	\$40 (NM)	\$57 (AZ)	\$191 (OR)

Table 2. Non-Resident Licenses

	Washington	Low	Median	High
Deer	\$532	\$5 (FL)	\$172 (MN)	\$600 (OR)
Elk	\$594	\$75 (NM)	\$651 (CO)	\$1,529 (CA)
Small Game	\$184 (high)	\$25 (MT)	\$80 (MO)	\$184 (WA)
Freshwater Fishing	\$85	\$42 (MO)	\$66 (CO, NM)	\$130 (CA)
Sports Package	N/A	\$10 (CO, NM)	\$138 (VT)	\$201 (NV)

D. Several States have implemented measures to simplify the license buying process.

Table 3 outlines three common license simplification measures implemented by state wildlife agencies. Of the 16 states researched, Washington was the only state that has not implemented one of the license simplification measures examined, although WDFW has done research on some of these options and is looking into the creation and implementation of a multi-year license in Washington.

Table 3. License Process Simplification Measures

	WA	AZ	CA	CO	FL	ID	ME	MN	MO	MT	NV	NM	OR	PA	VT	VA
Lifetime License		✓	✓		✓	✓	✓	✓	✓					✓		✓
Multi-Year License					✓	✓		✓						✓	✓	✓
Sports Package		✓		✓		✓	✓	✓		✓	✓	✓	✓		✓	✓

E. Several agencies established a budget review workgroup or process to produce recommendations on alternative funding opportunities.

Some states have implemented processes similar to the BPAG process to review agency funding options. While many of these efforts resulted in recommended funding sources (see box), many recommendations have not yet been implemented. This could be because dedicated funding sources often require statutory or legislative action that can be politically challenging and time intensive. Below are several examples of funding mechanisms that have been implemented:

²⁵ License fees researched include the annual, total out-the-door price for an adult.

- **The Price Lock Program** introduced by Idaho Fish and Game allows residents to “lock in” the 2017 license price for the next five years, if the license is renewed each year within the set timeframe. The goal of this program is to increase license fee revenue by incentivizing hunters, anglers, and trappers to consistently purchase licenses.
- **A percentage of state sales tax** has been specifically dedicated to providing funding for the fish and wildlife agency. This provides sustainable, long-term and often significant funding. In Minnesota, voters approved a three-eighths of one percent increase to the state’s sales tax in 2008. These dollars are used to restore, protect and enhance land and water for fish, game, and wildlife. Missouri dedicates one-eighth of one percent of sales tax directly to the fish and wildlife department. This revenue accounted for over 60% of the agency’s total budget in 2017.

Common Recommended Funding Sources

- Dedicated percentage of state tax (e.g., sales, rooms/meals, severance, lodgers, real estate transfer, resource extraction) – FL, MO, MN, NM, ME
- Dedicated percentage of lottery funds or dedicated lottery ticket – MN, VT
- Hunting and fishing license fee increases – CO, MT, MO
- Tax on products (e.g., wholesale beverage, outdoor equipment) – NM, OR, MN
- User fees (boat launch fees, recreation license, watercraft/ATV gas taxes)
- Income tax return surcharge or donation – ME, NM

F. Criteria for Evaluating Funding Options

The Washington State Legislature laid out the following criteria in the proviso to analyze and prioritize potential funding options: impact on achieving financial stability, impact on the public and fisheries and hunting opportunities, and impact on timeliness and ability to achieve intended outcomes. Four other states (Montana, New Mexico, Oregon, and Vermont) also developed criteria to evaluate potential funding sources. These criteria included:

- Sufficient funding to meet needs
- Long-term stability
- Cost-effectiveness
- Ease of administration
- Political viability
- Success in other states
- Fair to all license buyers
- Effectively target the intended customer
- Contribution from individuals that benefit
- Maximize recruitment and retention of hunters and anglers

These criteria evaluate the effectiveness, feasibility, and fairness of each funding option. These are broadly in line with the criteria laid out by the Washington State Legislature, but provide another level of detail and additional considerations that can be used to analyze funding options.

G. Principles

While not all states researched have made specific recommendations for funding mechanisms, several states—California, Colorado, Montana, Oregon, and Pennsylvania—provided higher level principles that offer recommendations on how to sustainably fund and efficiently manage state fish and wildlife agencies for the benefit of all its customers. The principles below generally relate to either agency funding or agency activities and management.

- Diversify funding sources
- Provide mechanisms in addition to license dollars to fund resource management
- Make small adjustments to license fees over time
- Advocate for legislative opportunities to maintain and increase revenues
- License fees should be reviewed and adjusted to reflect the cost of providing licenses
- Evaluate and implement efficiencies
- Simplify the license structure
- Regularly review budget expenditures and revenues
- Implement open and transparent accounting
- Use effective outreach when changing license fees
- Develop broad public understanding of the agency's benefits, challenges, and opportunities
- Monitor and manage to outcomes
- Consider opportunities for partnerships
- Balance the needs of fish, wildlife, and humans

While these are not the only principles the Budget and Policy Advisory Group could adopt, they can provide a starting place for the group's consideration.

III. Conclusion

The research of these 16 state agencies provides context for examining WDFW's funding portfolio as well as some options for considering alternative funding sources. Washington's unique characteristics should be considered in making future funding decisions. Additional information is provided in the accompanying "Research on State Fish and Wildlife Agency Funding" spreadsheet.

Appendix F

Appendix F: Legislative Proviso

SSB 5883, Sec. 307

(13) (a) \$5,500,000 of the general fund—state appropriation for fiscal year 2018, \$5,500,000 of the general fund—state appropriation for fiscal year 2019, and \$325,000 of the performance audits of government account—state appropriation are provided solely as one-time funding to support the department in response to its budget shortfall. In order to address this shortfall on a long-term basis, the department must develop a plan for balancing projected revenue and expenditures and improving the efficiency and effectiveness of agency operations, including:

- (i) Expenditure reduction options that maximize administrative and organizational efficiencies and savings, while avoiding hatchery closures and minimizing impacts to fisheries and hunting opportunities; and
- (ii) Additional revenue options and an associated outreach plan designed to ensure that the public, stakeholders, the commission, and legislators have the opportunity to understand and impact the design of the revenue options.
- (iii) The range of options created under (a)(i) and (ii) of this subsection must be prioritized by impact on achieving financial stability, impact on the public and fisheries and hunting opportunities, and on timeliness and ability to achieve intended outcomes.

(b) In consultation with the office of financial management, the department must consult with an outside management consultant to evaluate and implement efficiencies to the agency's operations and management practices. Specific areas of evaluation must include:

- (i) Potential inconsistencies and increased costs associated with the decentralized nature of organizational authority and operations;
- (ii) The department's budgeting and accounting processes, including work done at the central, program, and region levels, with specific focus on efficiencies to be gained by centralized budget control;
- (iii) Executive, program, and regional management structures, specifically addressing accountability.

(c) In carrying out these planning requirements, the department must provide quarterly updates to the commission, office of financial management, and appropriate legislative committees. The department must provide a final summary of its process and plan by May 1, 2018.

(d) The department, in cooperation with the office of financial management shall conduct a zero-based budget review of its operating budget and activities to be submitted with the department's 2019-2021 biennial budget submittal.

Information and analysis submitted by the department for the zero-based review under this subsection shall include:

- (i) A statement of the statutory basis or other basis for the creation of each program and the history of each program that is being reviewed;
- (ii) A description of how each program fits within the strategic plan and goals of the agency and an analysis of the quantified objectives of each program within the agency;

- (iii) Any available performance measures indicating the effectiveness and efficiency of each program;
- (iv) A description with supporting cost and staffing data of each program and the populations served by each program, and the level of funding and staff required to accomplish the goals of the program if different than the actual maintenance level;
- (v) An analysis of the major costs and benefits of operating each program and the rationale for specific expenditure and staffing levels;
- (vi) An analysis estimating each program's administrative and other overhead costs;
- (vii) An analysis of the levels of services provided; and

Appendix G

Appendix G: BPAG Membership

(April 2018)

Jason Callahan, Washington Forest Protection Association

Gary Chandler, Association of Washington Business

Bill Clarke, Trust for Public Lands and Trout Unlimited

David Cloe, Inland Northwest Wildlife Council

Tom Davis, Washington Farm Bureau

Mitch Friedman, Conservation Northwest

Ron Garner, Puget Sound Anglers

Andrea Imler, Washington Trail Association

Eric Johnson, Washington Association of Counties

Fred Koontz, Conservationist

Wayne Marion, Rocky Mountain Elk Foundation

Andy Marks, Coastal Conservation Association

Greg Mueller, Washington Trollers Association

Craig Partridge, Capitol Land Trust

Mike Petersen, The Lands Council

Mark Pidgeon, Hunters Heritage Council

Butch Smith, Ilwaco Charter Association

Jen Syrowitz, Washington Wildlife Federation

Rachael Voss, Mule Deer Foundation

Dick Wallace, Regional Fisheries Enhancement Groups

Appendix H

Appendix H: Letter to Commission – WDFW Budget

Date: August 15, 2018

To: Chair Smith; Vice Chair Carpenter; Commissioners Baker, Graybill, Holzmiller, Kehoe, Mclsaac, and Thorburn

Dear Commissioners:

As leaders in fish and wildlife conservation representing hunting, fishing, outdoor recreation, nature conservation, working lands, and local government interests, we write to urge you to revisit the resolution you passed Saturday to request a 5% fee increase. That amount is far less than just the effect of inflation since the last (2011) fee increase and we fear will be frowned upon by legislators and force the Department into cuts that will harm our interests and our state's natural resources.

We are among the members of the Washington Department of Fish and Wildlife Department's (WDFW) Budget and Policy Advisory Group, convened in response to a June 2017 budget proviso obligating the Department to scrutinize its operating and financial practices. We speak here not as an official WDFW advisory group, but as leaders of our respective organizations and constituencies. We are bringing our diverse interests together here to draw attention to the unprecedented risk to Washington's fish and wildlife and essential habitat, and also ***to project the unprecedented unity of intention shown by our diverse groups joining together.***

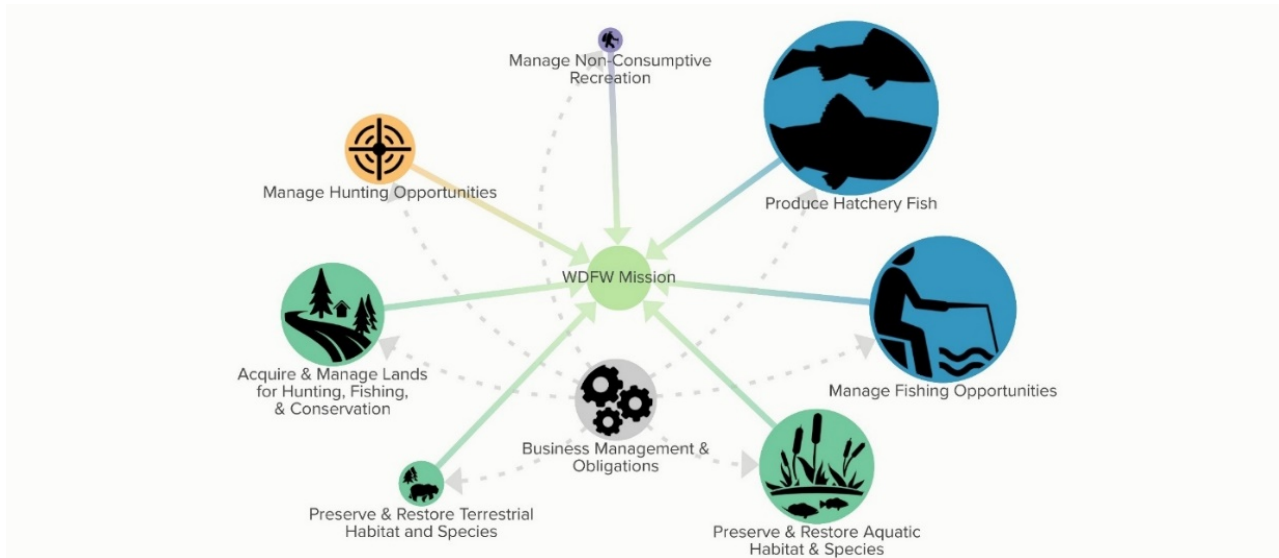
What we have learned together is substantial and unanticipated. We share here highlights of our acquired understanding in hope of bolstering your appreciation for the Department, its increasingly important mission, and its role in stewarding our wildlife and habitat. These resources are a wellspring for Washington's economy and quality of life, today and tomorrow.

The Department is efficient, comparing well with wildlife agencies in other states. Some believe that WDFW is not delivering sufficient impact for the resources awarded it, and that perhaps even some fiscal malfeasance contributed to its 2017 budget shortfall. The proviso directed the Department to undertake an evaluation by an outside management consultant; [the results of that audit](#) should retire the undeserved assumptions or allegations. *WDFW's management was not the cause of its budget shortfall and appropriate funding should be restored.*

The Department's mission reflects the public interest served, but its budget does not. We fully embrace its mission *To preserve, protect and perpetuate fish, wildlife and ecosystems while providing sustainable fish and wildlife recreational and commercial opportunities.* Fulfilling this mandate for the incredible diversity of fish, wildlife and outdoor experiences of our state is a unique challenge currently not supported by adequate funding from the legislature.

Expenditures say more than words, and the disproportionate spending shown in the below graphic is instructive. We hope to correct a perception that the Department's work on diversity (non-game) conservation and non-consumptive recreation is subsidized by sportsmen and sportswomen. WDFW license proceeds from (and expenditures on) hunting

and fishing are significant, as are federal grants tied to excise taxes on fishing tackle, guns and ammunition. In comparison to those, spending on diversity and recreation pales. More to the point, spending on diversity and recreation also pales compared to general fund appropriations to WDFW, which are a fitting expression of taxpayer interest in the health and enjoyment of natural resources. *We call on the legislature to improve the balance between these revenue sources—allowing the Department to increase sorely needed funding for wildlife conservation and outdoor recreation while providing ample hunting and fishing opportunity, consistent with its diverse mission.*



Each program graphic's size corresponds to its relative portion of DFW's overall expenditures. Graphic: WDFW

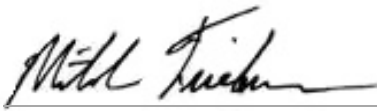
The Department confronts extraordinary challenges that warrant support. Over and above the demands on its peer agencies, WDFW manages endangered salmon and other anadromous fisheries, treaty obligations, species and habitat ranging from coastal rainforests to high deserts, and other demands making the WDFW mission extraordinarily complex. Compared to other Western states, Washington is the smallest, has the least amount of public land, and its human population is among the densest and fastest-growing, impacting the ability to provide abundant fish, wildlife, and recreational access. Most of the population lives in watersheds that drain into Puget Sound, where our southern-resident killer whales face extinction along with their primary food: Chinook salmon. Imperiled species from lynx to sharp-tailed grouse require substantial recovery attention. The return of wolves has compounded the staff's workload. Ungulate herds, while generally stable, are tenuous in certain localities, with growing concerns ranging from elk hoof disease to shrinking mule deer winter range to declines in moose and mountain caribou populations to crop damage from wildlife foraging. *Our fish and wildlife resources and recreation opportunities are struggling because of the Department's immense challenges, not its shortcomings. The world is changing, and WDFW must be given the resources to evolve to meet these diverse current challenges.*

Failure harms not just the agency, but also the state. We the people of the Evergreen State are renowned for our love of nature's beauty and bounty, which rely upon the health of our ecosystems and therefore on WDFW's success. The outcomes effect not just our Washington identity and lifestyle, but also our economy and health. To pursue fish, wildlife, and inspiration, we depart cities to spend hundreds of millions of dollars in areas like La Push, Ilwaco, Wapato, Wauconda, and Chewelah. As salmon deliver ocean nutrients to upland soil, we thus distribute the riches of our modern economy. The taxes on these expenditures then flow to Olympia, from which they are dribbled out to WDFW. While WDFW received \$94M in GF-S for this biennium, a Department of Revenue report published in August of 2016 estimated that its work, leveraged with other Department fund sources, will generate \$340M in GF-S, a fiscal return on state investment greater than 350%. *The declining trend of Department funding as a share of the state budget risks these lifestyle and economic benefits.*

We care, and we're coming together for change. While WDFW's diverse stakeholders at times have competing interests, we share a common need for a strong WDFW to provide healthy and diverse wildlife and a full range of opportunities to enjoy it. We are now determined to work together in support of the Department, lest we lose our heritage. The proviso directed the Department to evaluate options for cuts. Department Staff earnestly complied, but we members of the Budget and Policy Advisory Group are gravely concerned about the level of cuts being suggested. *To succeed, the Department requires over \$60 million above its present funding (not including expected orca needs), half to fix the shortfall created by the legislature in the last biennium and half to invest in the future by helping correct inequities and the damage caused by a decade of underfunding. This is a huge goal that is only likely to be achieved if its weight is shared. Our belief is that an appropriate breakdown is for at least 25% (\$15M) to be covered by increased fees, challenging the Legislature to pass that fee bill and match it threefold from the General Fund.* Perhaps a combination of a modest surcharge and modest fee increase (plus CSSE) would avoid hitting too heavily on either end of the customer spectrum. Any less than 25% risks a response from the Legislature that could leave the department underfunded, impose yet higher fees on sportsmen and women, or both. Strong leadership from the Commission is our best chance for success. We also commit to working in the legislature to not only pass the fee bill that you approve, but to assure this funding is new to the natural resources portion of the state budget, not reallocated from other natural resource or environmental appropriations.

WDFW has been blamed for the consequences of its own victimization and factors beyond its control. We stakeholders are guilty of that, as is the Legislature. The BPAG process is worthwhile for having educated us all to the Department's competencies, efficiencies, and vital services upon which we all rely going forward. *We must remedy the failures of the past by providing the Department the means to successfully steward the resources all Washingtonians value and require.*

Sincerely,



Mitch Friedman
Conservation Northwest



Ron Garner
Puget Sound Anglers



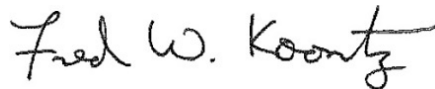
Jason Callahan
Washington Forest Protection Association




Gail Gatton
Audubon Washington



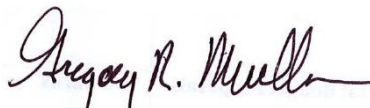
Bill Clarke



Fred Koontz
Retired Wildlife Biologist



David Cloe
Inland Northwest Wildlife Council



Greg Mueller
Washington Trollers Association

Signatures continued on next page



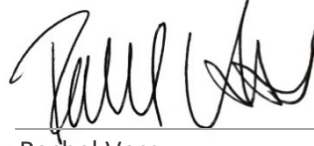
Craig Partridge
Capitol Land Trust



Jen Syrowitz
Washington Wildlife Federation



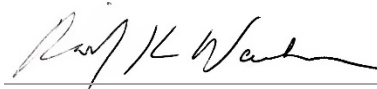
Mike Peterson
The Lands Council



Rachel Voss
Mule Deer Foundation



Mark Pidgeon
Hunters Heritage Council



Dick Wallace
Regional Fisheries Enhancement Group



Butch Smith
Ilwaco Charter Association

CC: WDFW Director Susewind
Jim Cahill, Office of Financial Management
JT Austin, Governor Inslee's Office
Senator Van De Wege
Senator McCoy
Senator Warnick
Senator Rolfes
Senator Frockt
Senator Braun
Representative Blake
Representative Chapman
Representative Buys
Representative Ormsby
Representative Robinson
Representative Chandler

