

2022



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Montana Fish, Wildlife and Parks

**LICENSE FEE INCREASE AND
RESTRUCTURE LEGISLATIVE REPORT**

2015 LEGISLATIVE SESSION – HB 140

September 2022

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Executive Summary

The 64th Montana Legislature passed House Bill 140 (HB140) during the 2015 legislative session. HB 140 implemented changes relating to Fish, Wildlife & Parks (FWP) license fees, structure, and overall fiscal cycle.

Most notably, HB 140 generated additional revenue for the department by raising license fees on several license types, creating a base hunting license, standardizing discounted licenses, and reducing the number of free licenses issued by the department. These changes combined to project a revenue increase of \$21.143 million dollars from fiscal years 2016-2019. This projected revenue increase accounts for the price increases to be in effect by fiscal year 2016, however the price increase did not take effect until license year 2016 (March 1, 2016), therefore the increase in revenue was only in effect for 3 months of that fiscal year. The actual revenue increase from 2016-2019 amounted to \$16.499 million dollars.

In addition to generating new revenue, HB 140 altered the fee cycle FWP had relied upon for the last half century. Traditionally, FWP sought a license fee increase about once per decade. This resulted in fewer increases over time but amplified the magnitude of those increases. HB140 has changed this cycle from 10 years to four and requires the department to provide this report to the legislature on license revenues and expenditures and the overall fiscal health of the General License Account (GLA). This analysis is used to inform the legislature of the department's recommendation regarding the need for a fee increase at the end of the four-year cycle.

In 2018, FWP Director Williams convened the Funding Review Advisory Council (FRAC) consisting of representation from sportsmen, conservation groups, outdoor industry professionals, the outfitting industry, and two members of the Legislature, to assist the department in completing the review required by HB 140. Over the course of a year, the FRAC analyzed license revenues, federal revenues Pittman-Robinson and Dingle-Johnson (PR-DJ), license sales trends, and department expenditures and needs. Additional factors potentially affecting the GLA were also analyzed and explored in some detail in the FRAC report, attached. The resulting recommendation to the director resulted in a budget matrix tool to provide both revenue and expenditure guidance to the department during its financial planning activities based on the GLA ending fund balance.

FWP constructed its 2025 budget request utilizing the budget planning matrix and concluded that a fee increase was not necessary during the FY24-25 biennium.

HB 140 Changes

House Bill 140 generated new revenue through a combination of license fee increases, elimination of most free licenses, creation of a base hunting license, and the standardization of discounted license to 50% of the standard fee for that license type. Each of these changes is outlined below.

1.) Increased fees on the following license types:

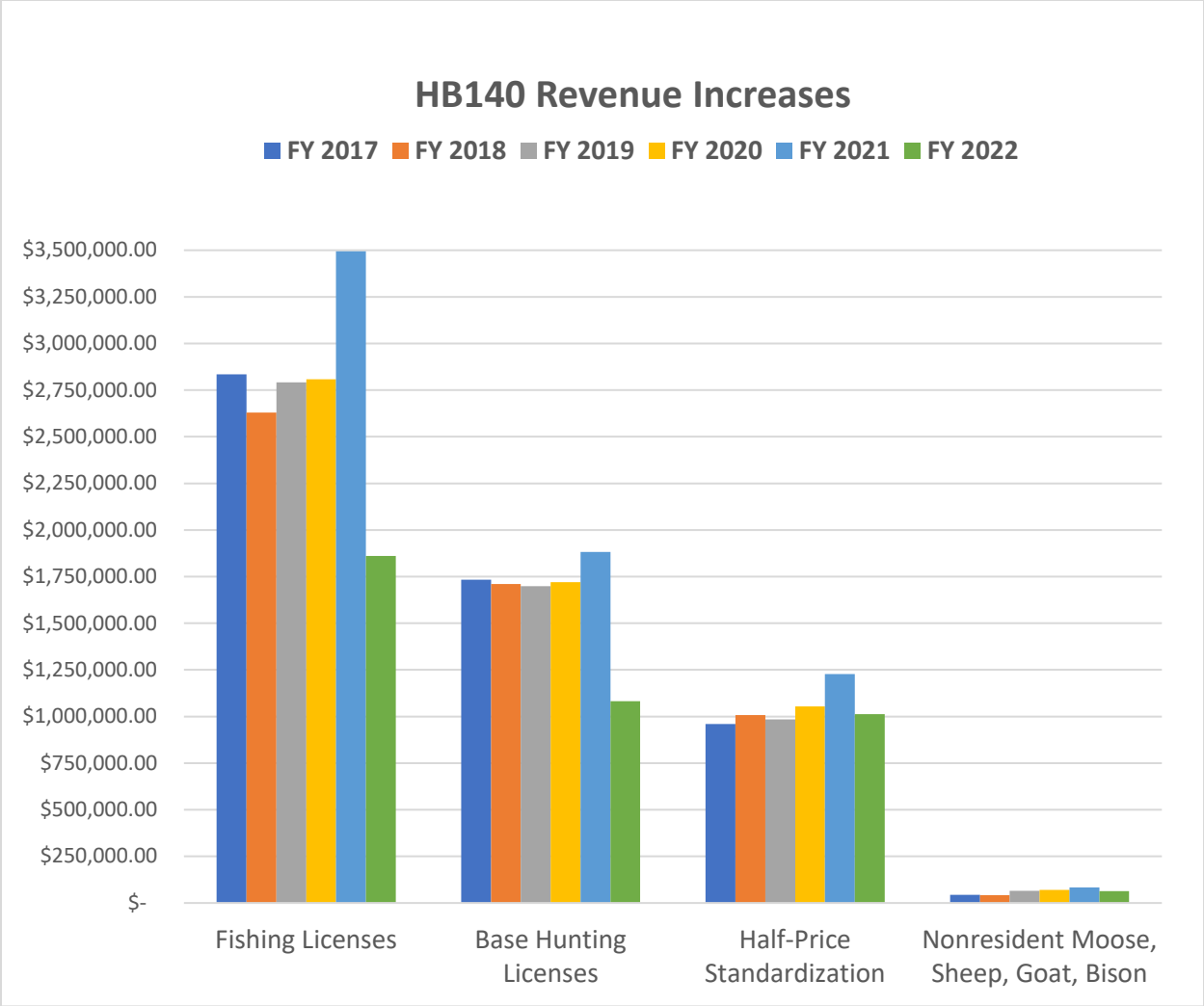
- a. Resident season fishing from \$18 to \$21 (87-2-301 MCA)
- b. Resident youth fishing from \$8 to \$10.50 (87-2-805 MCA)
- c. Nonresident season fishing from \$60 to \$86 (87-2-302 MCA)
- d. Nonresident two-day fishing from \$15 to \$25 (87-2-304 MCA)
- e. Nonresident ten-day fishing from \$44 to \$56 (87-2-307 MCA).
- f. Nonresident Moose, Sheep, Goat, and Bison license from \$750 to \$1,250 (87-2-701 MCA).

2.) New “Base” hunting license

- a. Prerequisite for all hunting licenses
- b. Includes the former Hunting Access Enhancement Fee
- c. Fee – Resident \$10, Non-Resident \$15
- d. Mechanism for increasing license revenue without affecting species tag fees.

3.) Removed free licenses and standardized Discounts for Senior, Youth, and Disabled – Fees were set at half-price of the standard license fee for most licenses that were previously either free or otherwise discounted. The half-price fees were set in Automated Licensing System based on date of birth or disability certification. Military Recognition and Block Management Cooperators will still receive a free combination license because military recognition licenses issued are reimbursed by the General Fund and block management cooperators are providing opportunity for the sportsman.

The following table shows the cumulative effect of these changes on FWP license revenue for the five fiscal years the changes have been in effect; FY 17-22. The table shows the increase in revenue received due to the above-listed HB140 price increases for those five years.



In addition to the primary revenue generating changes, HB 140 made several other changes to the FWP license structure.

- Standardized the age categories for youth 12 years of age or older and under 18 years of age (87-2-805 MCA)** Consolidated multiple under 18 age categories into a single category to reduce confusion and improve customer service.
- Senior age discount will be applied to those over 62 years of age by Automated Licensing System based on date of birth (87-2-801 MCA).** The list of discounted licenses is listed in the statute. The primary impact is that there are no longer implied free licenses for seniors.
- Senior and youth sales.** With new statute changes removing the implied privileges, going to half-price on select licenses, and adding the new base hunting license, the best option for seniors and youth is the half-price sportsman’s combination licenses.
- Certified Disabled licensees will receive half-price fees on certain licenses based on certification in Automated Licensing System (87-2-803 MCA).** The list of discounted licenses is in the statute.
- Nonresident relative of a resident is allowed the purchase of nonresident licenses at a reduced cost (Native License) 87-2-514 MCA** has been changed from four times the resident cost to half

the nonresident cost and the individual can only purchase a big game or deer combo for elk and/or deer hunting. There is no deadline or limit on the number of combinations that can be sold.

- Nonresident season fishing \$43 (plus \$10 Conservation license)
 - Nonresident upland game bird \$55 (Plus \$10 Conservation license and \$15 Base Hunting License)
 - B-10 Big game combo \$526 (plus the \$15 Base Hunting License)
 - B-11 Deer combo \$307 (plus the \$15 Base Hunting License)
- **License for nonresident to hunt with resident sponsor of family member (Come Home to Hunt) 87-2-506** MCA has been changed from full price to half-price the nonresident cost. Limited to a quota of 500 for B10 and 500 for B11 sold under this statute. Must apply by March 15th
 - B-10 Big game combo \$526 (Plus \$5 application fee and \$15 Base Hunting License fee)
 - B-11 Deer combo \$307 (Plus \$5 application fee and \$15 Base Hunting License fee)
- **Class B-13 nonresident youth big game combination license (87-2-522 MCA)** is half-price of the nonresident B-10 big game combo \$526 plus the \$15 Base Hunting License fee.
 - **Class B-15 nonresident college student big game combination license (87-2-525 MCA)** was increased from the cost of a class AAA combination sports license and will now be half-price of the nonresident B-10 big game combo \$526 plus the \$15 Base Hunting License fee.

FWP Sales Trends

For fiscal years 2019 through 2022, FWP has seen a slight decrease in resident license sales in both hunting and fishing licenses. The primary contributor of revenue to the GLA continues to be the Non-Resident Combination licenses (Big Game, Elk Combination, and Deer Combination). When HB 140 was constructed, FWP had seen weakness in sales of this license type with the passage of Initiative 161 (I-161) in 2010. After HB 140 was passed, however, those sales have been strong and continue to get stronger with the department selling its quota of these licenses approximately the same time each year. Because these licenses continue to sell early, by statute FWP will adjust these prices upward in accordance with the Consumer Price Index (CPI). The following figure illustrates sales over the last two license years.

The Elk Combination license has been the most affected by early sales moving from a sell-out date of July 12th in 2017 to May 7th in 2018. Typically, we sell all our non-resident combination licenses during the initial drawing in April, however there is a refund and reissue process after that initial drawing. Then the remaining licenses are made available for sale as surplus licenses. This usually occurs in early May. In 2020, the agency waited until August 10th to reissue these surplus licenses, hence the later sell-out date that year. In 2021 and 2022, all licenses were sold-out in the initial drawing. This affirms that demand by non-resident hunters for the opportunity afforded by a Montana hunting license remains robust and the associated revenue generated by those sales is viewed in the same light.

Big Game Combo Sales Sold Out Date and CPI

2017	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/24/2017	1.01%	\$9.00
Elk Combo	7/12/2017	1.01%	\$7.00
Deer Combo	4/24/2017	1.01%	\$5.00

2018	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/24/2018	1.63%	\$16.00
Elk Combo	5/7/2018	1.63%	\$12.00
Deer Combo	4/24/2018	1.63%	\$8.00

2019	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/22/2019	2.41%	\$24.00
Elk Combo	5/6/2019	2.41%	\$20.00
Deer Combo	4/22/2019	2.41%	\$14.00

2020	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/14/2020	1.65%	\$16.00
Elk Combo	8/21/2020	1.65%	\$14.00
Deer Combo	4/14/2020	1.65%	\$8.00

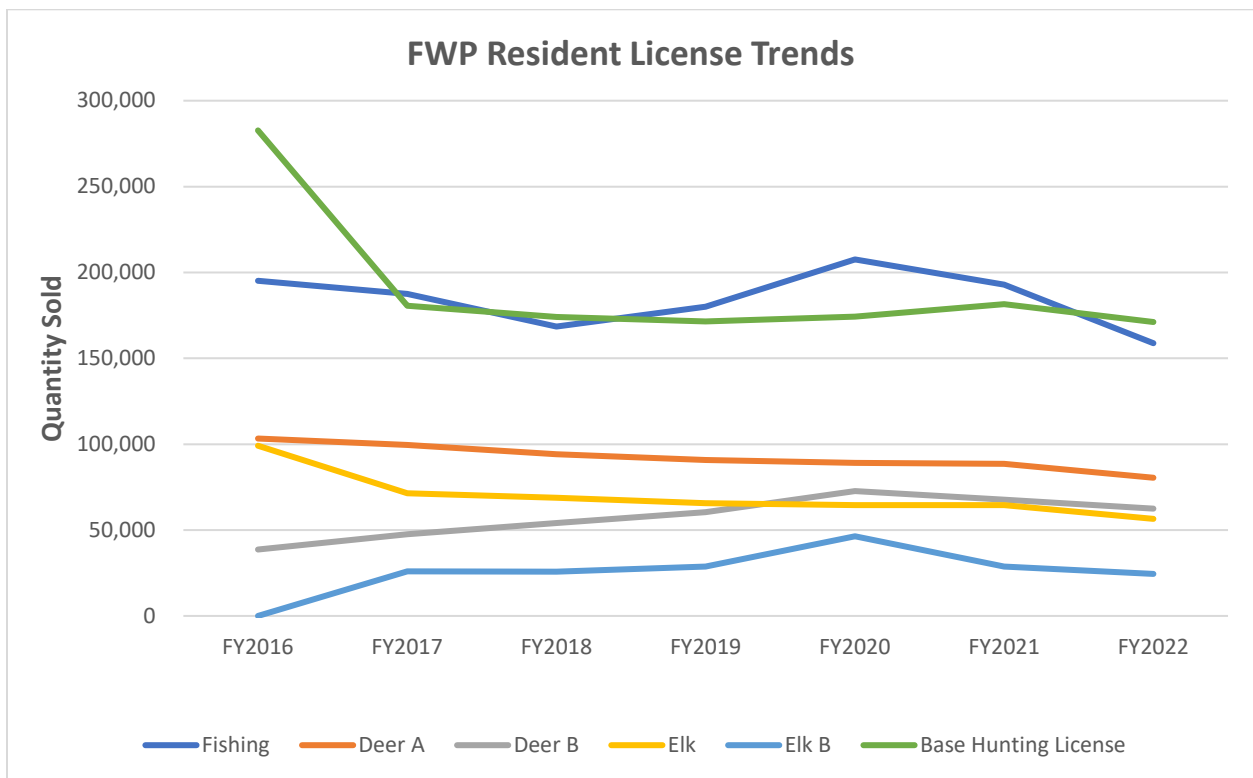
2021	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/14/2021	0.65%	\$6.00
Elk Combo	4/14/2021	0.65%	\$4.00
Deer Combo	4/14/2021	0.65%	\$2.00

2022	Sold Out Date	CPI %	CPI \$ Per License
Big Game Combo	4/14/2022	5.39%	\$56.00
Elk Combo	4/14/2022	5.39%	\$46.00
Deer Combo	4/14/2022	5.39%	\$32.00

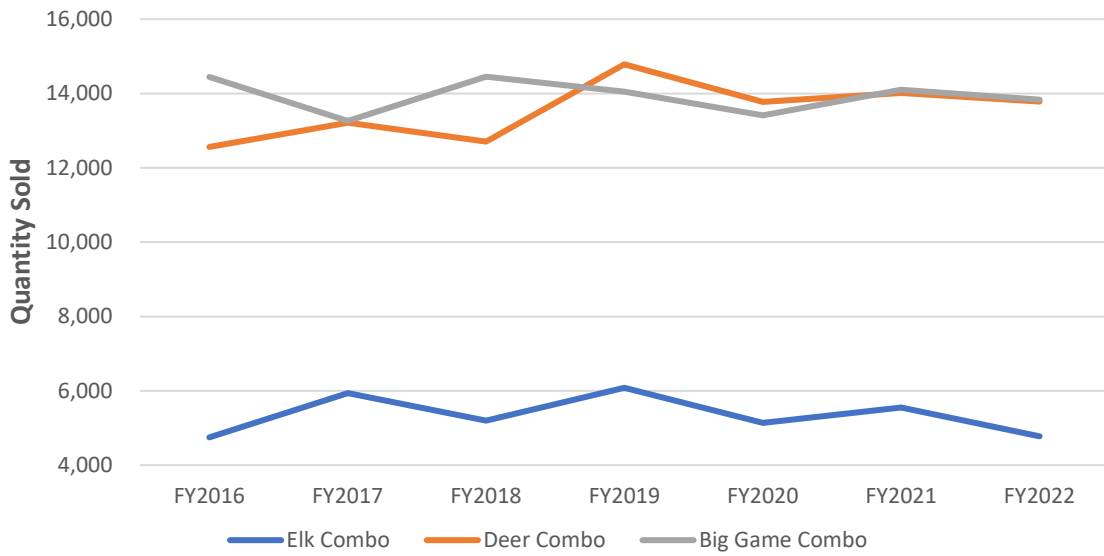
Resident and Non-Resident License Sales Trends

Montana resident license sales trends have seen a slight decline as it relates to big game hunting license purchases. While most resident hunting license categories have decreased in sales, the base hunting licenses have remained steady, suggesting individual resident hunters are purchasing fewer licenses. The current trends indicate the number of resident hunters may be declining.

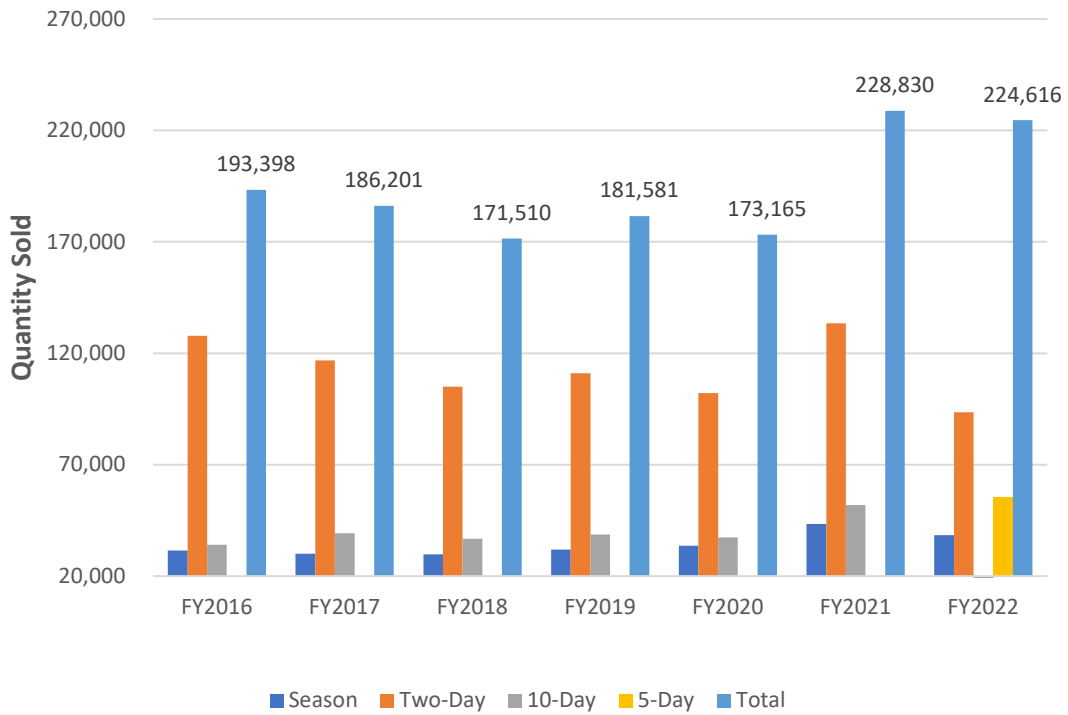
Non-resident sales remain very strong with big game license sales reaching the statutory quota every year since FY2016. Non-resident fishing license sales declined from 2017 through 2019, but quickly recovered and continues to exceed 2016 sales numbers.



FWP Non Resident Combination License Trends



FWP Non Resident Fishing License Trends



FWP Revenue and Expenditure Projections

Prior to the passage of HB 140, the department had implemented \$1.4 million dollars in budget reductions to preserve the fiscal integrity of the department and limit the amount of revenue that would be required from the revenue model in HB 140. With the revenue remaining steady, FWP has slowly worked to reinstate previously reduced budgets allowing for consistent practices in all Divisions.

Revenue projections for FY2023 through FY2025 include the potential effects from legislation passed during the 2021 Legislative Session, namely HB260 and HB647. HB260, which was effective March 1, 2022, eliminated the non-resident \$25 two-day and \$56 ten-day fishing licenses, and replaced them with a \$14 one-day and a \$56 five-day license. The bill also increased non-resident season fishing licenses from \$86 to \$100 dollars. The agency expects this to increase revenue as more nonresidents may purchase the lower-priced \$14 one-day license option, and some who previously purchased the \$56 ten-day license option may choose to purchase a season fishing license.

HB647 added the ability for nonresident full-time college students to pay the equivalent resident price for certain license types if their state of residence offers resident-rates for the same license type in that state to Montanans who are full-time college students. This applies to the following license types:

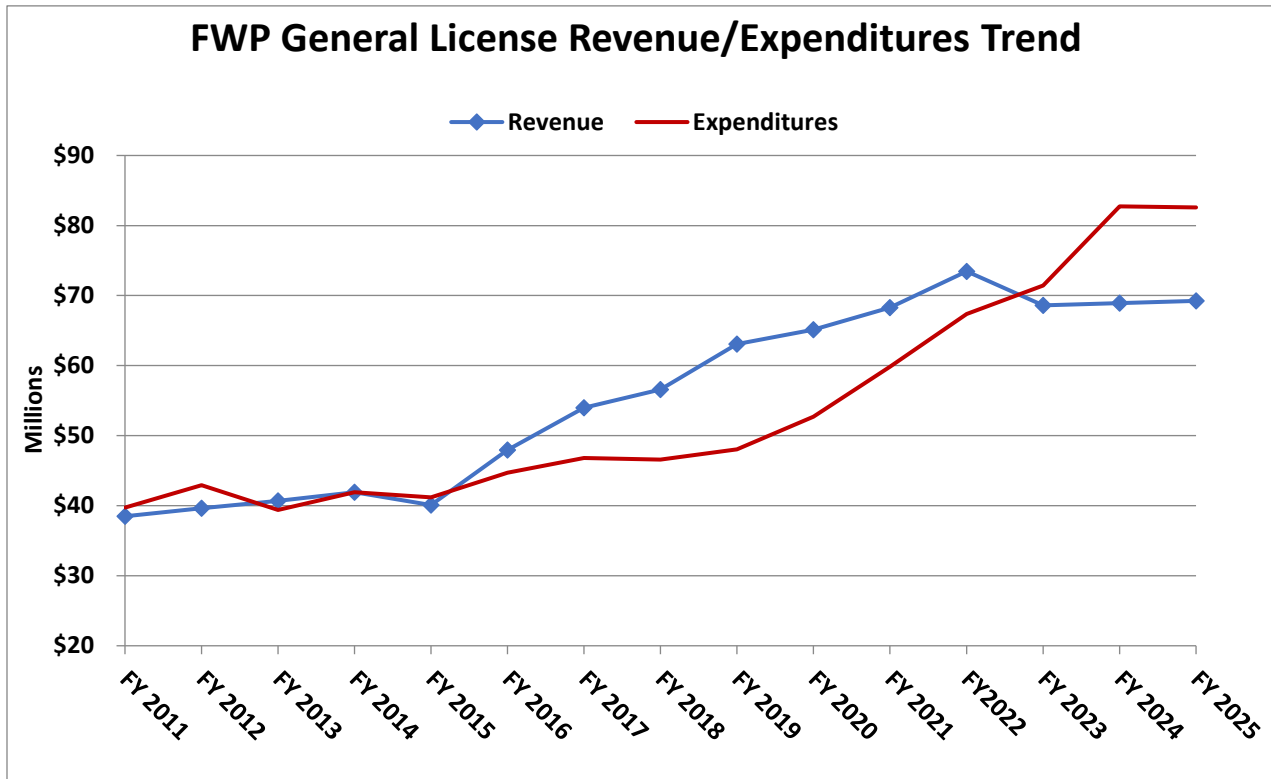
- Nonresident college student fishing license
- Nonresident college student upland game bird license
- Nonresident college student deer A tag
- Nonresident college student elk tag
- Nonresident college student big game combination license
- Nonresident college student migratory game bird license
- Nonresident college student turkey tag
- Nonresident college student deer B tag
- Nonresident college student antlerless elk B tag

This bill became effective March 1, 2022 but sales are not offered until the second Tuesday of September, as per statute. The agency expects to see a slight increase in revenue as this allows some nonresident college students a much lower price for the above-listed licenses, although the number of college students who may qualify is unknown.

In addition, the agency anticipates non-resident combination licenses will continue to sell-out and therefore the license prices receive a CPI-adjusted increase. Revenue projections for the CPI price increase of these licenses were formed using the CPI projections in the 10-Year Economic Projections report published by the U.S. Congressional Budget Office. However, as these combination licenses increase in price, a larger amount of that revenue is directed to earmarked funds other than the general license fund, and so the general license revenue does not reflect the overall increase in revenue to the agency from these sales.

Due to the economic slow-down caused by the pandemic, interest revenue decreased significantly in FY2021. The revenue projections for FY2022 and FY2025 reflect modest estimates for interest revenue as well.

The following figure shows FWP revenues and expenditures over time projected through the current budget request. It should be noted that the department has been spending more on capital projects to address many years of deferred maintenance issues in its infrastructure across the state as well as the introduction of a new Pheasant Release Program with the Department of Corrections.



Funding Review Advisory Council

In early 2018, Director Williams chartered the Funding Review Advisory Council (FRAC) to assist FWP in the required analysis of its revenue and expenditures and to assess the need for a fee increase. This committee is made up of representation from sportsmen, conservation groups, outdoor industry professionals, the outfitting industry, and two members of the Legislature. Over the course of its work, the FRAC developed a budget planning matrix based on the GLA ending fund balance to provide guidance to the department in its financial planning process.



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Budget Planning Matrix

FY 2019 - 2023 Funding Cycle

General License Fund Balance

Revenue Trend	15 Million or Less	20 Million	>20 Million
Stable/Decrease	Budget Principle #1	Budget Principle #2 With a Plan Towards Initiating Budget Principle #1	Budget Principle #3
Stable	Budget Principle #1	Budget Principle #2	Budget Principle #3
Stable/Increase	Budget Principle #1	Budget Principle #2 Explore Budget Principle #3 Based on Estimated Increase in Revenue	Budget Principle #3 Budget Principle #4

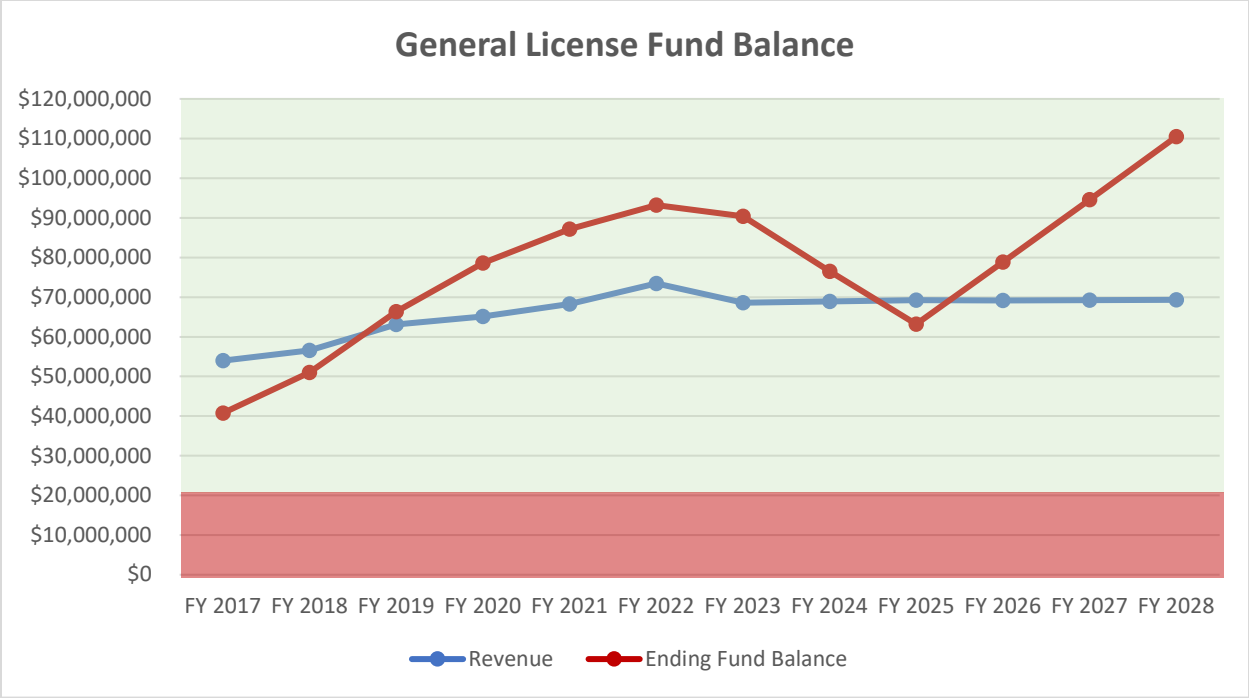
Montana Fish, Wildlife and Parks Budget Principles:

1. Indicates the need to propose a license fee increase or institute a budget reduction.
2. Indicates the need to maintain status quo.
3. Indicates the opportunity to address backlog in infrastructure with one time only requests.
4. Indicates the opportunity to consider the possibility of enhanced services at the beginning of a new four year fee cycle.

This matrix combines the GLA ending fund balance along with a basic trend analysis of the revenue into that fund to suggest the employment of several budget principles.

For example, if revenue is stable or increasing and the GLA projected ending fund balance is greater than \$20 million dollars, the matrix would suggest two potential actions. The development of a budget request that addresses one-time only expenditures or expanding/developing permanent programs would both be appropriate under this model.

The following figure illustrates both the GLA ending fund balance and license sales revenue as they relate to the categories in the Budget Planning Matrix. Revenue is predicted to remain steady through FY 25 and the GLA balance is projected to end above the \$20 million threshold in the matrix that would suggest investment in new/expanded programs or one-time infrastructure projects.



Conclusion

As noted throughout this report, FWP license revenue has been robust since the passage of HB140 in 2015 and are predicted to remain steady over the next four years. FWP submitted a modest spending proposal in the Governor’s 2025 Budget Request that is heavily slated toward one-time only investments in department infrastructure for much needed repairs and maintenance on administrative facilities around the state. As per the requirements in HB140, the need for a fee increase will need to be re-evaluated prior to the 2029 Budget Request.

(Attachment A)

MONTANA FISH, WILDLIFE & PARKS

FINANCIAL REVIEW ADVISORY COUNCIL

Final Recommendations to FWP Director

Background

In 2015, the 64th Montana Legislature passed a law requiring Fish, Wildlife and Parks (FWP or department) to review its expenditures and revenue every four years to determine the need for making license revenue recommendations to the legislature (87-1-629, MCA). The law states that the department shall report the findings of its review to the legislature in the next regular session. The first report to the Legislature is due January 1, 2019.

The FWP Director appointed a Financial Review Advisory Council (Council) to assist the department with this financial review (Note: The Council did not include State Parks in its review as the statutory requirement is specific to *license* revenue recommendations). The Council was tasked with the following:

- Review department's expenditures (past four years)
- Review department's current fund balance
- Review projected revenue and expenditures (next two years and beyond)
- Assess need for revenue and/or expenditure adjustments
- Develop recommendations for achieving adjustments, if needed
- Prepare a final report to the FWP Director on the Council's findings and recommendations

Financial Review

The Council, with the assistance of department staff, reviewed the department's revenue and expenditures (past and projected), and discussed the business climate and challenges the department could face in the future. Members considered factors such as trends in Pittman-Robertson and Dingell-Johnson federal funding, and resident and nonresident licenses sales. They considered critical budget questions facing the department, e.g., funding for the Aquatic Invasive Species (AIS) program, responding to Chronic Wasting Disease, a significant backlog in maintenance needs at hatcheries and administrative facilities, and the budget for the fisheries division – reduced by \$875,000 for FY18/19 to offset declining federal revenue.

Department staff explained that the projected General License Account balance indicates whether the department should propose a license fee increase or budget reductions, and that there needs to be approximately \$10 million in the account to maintain operations and pay current liabilities – the majority of which are payroll expenses. This amount is commonly referred to as working capital and for FWP it represents 60 days. If the anticipated fund balance drops below this amount, budgetary cuts would be necessary.

Because the planning process for developing and requesting a fee increase can take two years to request and fully implement, the planning phase is implemented when the projected fund balance

reaches \$15 million. This allows for sufficient time to calculate a fee increase or reduce budgets as necessary to ensure proper liquidity.

Council’s Recommendations

The Council’s recommendations to FWP are as follows (not in order of priority):

1. Recommendation for Budget Indicators

There are unknown factors that make it challenging to accurately project future ending fund balances, e.g., trends in federal aid and license sales. With this in mind, the Council developed a set of Budget Indicators to help inform the financial strategy of the agency going forward (see Table 1). Revenue trends (federal aid, license sales, etc.) and the projected General License Account ending balance would indicate different budget actions, or principles. For example, stable revenue and a projected ending fund balance greater than \$20 million would indicate an opportunity to address backlog in infrastructure needs with one-time-only spending authority requests. The Budget Indicators provide better transparency and a less arbitrary approach for developing budget proposals. The Council recommends that the department use the Budget Indicators as part of the statutorily-required four-year-cycle financial review. The indicators can also be used as part of an annual review to consider changes in the projected ending fund balance.

Table 1. Budget Indicators

BUDGET INDICATORS			
FY 2015 - 2019 Funding Cycle			
Revenue Trend	General License Fund Balance		
	\$15 Million or Less	\$20 Million	>\$20 Million
<i>Stable/Decreasing</i>	Budget Principle #1	Budget Principle #2 With a Plan Towards Initiating Budget Principle #1	Budget Principle #3
<i>Stable</i>	Budget Principle #1	Budget Principle #2	Budget Principle #3
<i>Stable/Increasing</i>	Budget Principle #1	Budget Principle #2 Explore Budget Principle #3 Based on Estimated Increase in Revenue	Budget Principle #3 Budget Principle #4
Montana Fish, Wildlife and Parks Budget Principles:			
<ol style="list-style-type: none"> 1. Indicates the need to propose a license fee increase or institute a budget reduction. 2. Indicates the need to maintain status quo. 3. Indicates the opportunity to address backlog in infrastructure with one time only requests. 4. Indicates the opportunity to consider the possibility of enhanced services at the beginning of a new four-year fee cycle. 			

2. Recommendations on Need for Revenue and/or Expenditure Adjustments

The department's projected ending fund balance for FY22 is approximately \$56 million without considering what may be in the budget request for the FY20/21 biennium. The Council concluded that a license fee increase is not needed at this time. They also recommended to review the need for revenue and/or expenditure adjustments no later than the 2021 Legislative Session, which takes into account the two years needed to request and fully implement a license fee increase (if needed).

Given the current state of the department's finances and the uncertainty surrounding several core programs and resulting potential impacts to the general license account, the Council recommends the department prioritize one-time-only spending proposals over ongoing, enhanced services for FY 20/21. The Council noted that there is a backlog of unmet infrastructure and other needs that should be addressed before considering program expansions. It may be useful to maintain a priority list of significant maintenance needs to demonstrate that a particular need has gone unmet for a period of time.

3. Recommendation on Funding for the Aquatic Invasive Species Program

The AIS program is a critical function of the agency and important to the state overall. Given the far-reaching potential ramifications from AIS, the program should not be funded solely by hunters and anglers.

4. Recommendation on Funding for Fish and Wildlife Disease Response

The Council proposes that the department ask for a legislative appropriation restricted to the purposes of responding to fisheries or wildlife diseases, e.g., discovery of Proliferative Kidney Disease in a fish population. This appropriation should be solely under the control of the Director and require a notification to the Environmental Quality Council before utilization.

5. Recommendation on Funding for State Parks System

The Council supports the department's survey work to quantify hunting and angling use of the State Parks system and the potential use of general license funds to help the Parks Division further support hunting and angling activities.

6. Recommendation on Restoring the Fisheries Budget

The Council supports the department's interest in restoring the Fisheries budget to a sustainable level. This would address the budget reductions that occurred over the last biennium in the face of declining Dingell-Johnson (DJ) funding, and a shift toward sustaining fisheries work more with license dollars.

7. Recommendation on Upgrading the Automated License System

The Council support's the department's proposal to upgrade the Automated License System (ALS), which has been in place for 19 years and is critical to providing good customer service to license buyers.

8. Recommendation for Study on Revenue Structure for Non-License Buyers

The Council supports a study to develop a future revenue structure (in addition to license fees) that would enable non-license buyers to help support state parks, fishing access sites, wildlife management areas, and general recreation on FWP lands.