

EXHIBIT 5  
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HB 172 & 176

House Bills 172 & 176  
January 20, 2005  
Presented by Jeff Hagener  
House Fish, Wildlife & Parks Committee

Mr. Chairman and committee members, for the record I am Jeff Hagener, Director of Montana Fish, Wildlife & Parks (FWP).

Fish, Wildlife and Parks is relatively unique among state agencies, in that the agency receives no general funds and operates largely on user fees and matching federal grants. The most significant source of user fees is hunting and fishing licenses. Sales of resident and non-resident licenses generate a total of about \$37 million each year. Of this total, about \$10 million is "ear marked" by the legislature for specific programs, such as hunter access enhancement or fishing access sites. About \$27 million is deposited into the general license account, FWP's main "checking account," and is used to cover most of the daily operating costs for FWP programs.

Before addressing House Bill 172 and 176 specifically, I want to provide the committee with some background on how license fees and agency expenditures have been balanced in the past. As with most things, the cost of managing the state's fish and wildlife and providing services to hunters and anglers steadily increases over time. Part of this increase is due to inflation and part is due to the legislature creating new programs or responsibilities for FWP. To cover the increased costs, the legislature has periodically adjusted license fees to raise additional revenue.

Because hunters and anglers historically preferred license prices to remain stable for a number of years, license increases have been spaced 5 to 10 years apart. In order to balance revenue and expenditures over this length of time, license fees must be set high enough to generate a positive cash flow and build up a fund balance for several years. When expenses exceed revenue, this fund balance can be drawn down to delay the time when another fee increase is necessary. Chart 1 illustrates this process.

Resident license fees were last increased by the 1991 legislature, with some of the increases phased in between 1991 and 1994. At that time, FWP and the legislature anticipated the fee increases would sustain agency programs through 1999. Through careful fiscal management, FWP extended the life of the 1991 increases beyond 1999. In fact, growth in total expenditures by FWP between 1996 and 2003 averaged only 2.1% per year, which is less than the rate of inflation. The legislature increased non-resident fees in 2001 to bring them in line with surrounding state's nonresident fees. The additional revenue generated by the nonresident fee increases allowed us to continue to keep resident fees at the 1994 level until now.

At present, expenditures from the general license account exceed revenue by about \$3 million per year. Chart 2 illustrates this point. Given this fiscal gap, the general license account will drop below the minimum level necessary to manage cash flow in 2008. Unless the 2005 legislature increases resident fees, FWP will have to initiate program reductions to balance expenditures with revenue by the beginning of the next biennium. We cannot wait until the 2007

session to adjust fees, because there is an 18-month lag between legislative action and revenue generation.

House Bills 172 and 176 provide two alternative approaches to increasing most resident, and a few non-resident, hunting and fishing license fees to generate additional revenue. House Bill 172 takes the traditional approach of increasing fees sufficiently to sustain the agency without further increases until at least 2011, as illustrated on Chart 3.

The license fees in HB 172 were determined by applying the rate of inflation since 1994 to the prices set in 1991 and rounding prices up or down to a simple number. We applied discounts to youth, senior, disabled and combination licenses to make them more affordable.

We also examined the potential impact of a given price on license sales, based on our survey of nearly 6,000 resident hunters' and anglers' willingness to pay. In every case, the prices we set were less than the average amount residents told us they would pay for a license.

The fees proposed in HB 172 would remain the lowest resident fees in the region, with the exception of a deer license in Idaho, which would be \$1.50 less. A table of license fees is attached to this testimony for your review. Interestingly, the fees under HB 172 for most licenses would also remain lower, in constant dollars, than they were in 1976 meaning that hunters and anglers would continue to pay less than they did in 1976 for services and opportunities that are far greater. There is a chart of actual and inflation-adjusted license prices since 1976 attached to the testimony.

Although our research on hunters' and anglers' willingness to pay higher fees indicates the proposed rates would be acceptable to the majority of Montanan's, we have heard concerns about some of the fees proposed in HB 172. One of the common themes expressed by hunters and anglers during our discussions was that the fees for moose, sheep and goat licenses were too high, given that residents must submit the fees for these licenses with their drawing application. We can address this concern by amending the proposed prices or by changing our rules governing drawings to require hunters to submit only half of the fee with the application, and pay the remainder if they are drawn. This would maintain the status quo in terms of drawing fees.

Another common theme we heard about our fee increase was the desire to have fees increased in smaller amounts more frequently. House Bill 176 provides an alternative model that is responsive to the input asking for incremental increases.

Under HB 176, smaller fee increases are imposed beginning in 2006 to close the gap between current revenue and current expenses. In following years, the FWP Commission would be authorized to increase fees, up to the level of the consumer price index, on an annual basis to balance revenue and expenses, as illustrated in Chart 4. This approach would avoid the "sticker shock" often associated with fee increases once every decade. Feedback on HB 176 indicates there is little, if any, support for delegating this authority to the commission. Nevertheless, we asked Rep. Cohenour to introduce the bill to allow exploration of other options for providing graduated increases over time.

There is, of course, one other alternative. FWP and the legislature could reduce expenditures over the next several years to the level of current revenue as illustrated in Chart 5. Given the magnitude of the current fiscal gap, FWP would have to cut its budget by about 8% to balance the budget by 2007. As inflation pushes prices higher, further program reductions would have to be made in subsequent years without additional revenue. We have had some internal discussion about potential areas to cut, but would want to engage our constituents in making these decisions, if that becomes necessary.

Over the past year, FWP engaged Montana's hunters and anglers in discussion about resident fees in several ways. We conducted extensive surveys of hunters and anglers to assess their views about license fees and how they want their money used to support department programs. Attached to this testimony is a research summary that outlines some of the findings of those surveys and a table that shows where hunters and anglers want FWP to spend more, the same or less money in the future. Complete results of this research project are available from FWP or online at: <http://fwp.state.mt.us/FwpPaperApps/budget/feesummary.pdf>.

We also met with hunter and angler groups and the general public, gathered input via our website and through comment sheets in all our regional offices. Interestingly, most of the comment via the internet was opposed to fee increases; input at our front counters was about evenly split; and input from public meetings was predominantly in favor of the increases.

We believe Montana's hunters and anglers, overall, are supportive of paying reasonably higher fees to sustain current programs and provide for expanded efforts related to habitat and access enhancement and increased law enforcement. Several alternatives exist regarding the magnitude and timing of the increases or related program reductions.

We believe the best way to proceed at this point would be to appoint a subcommittee to evaluate the pros and cons of House Bills 172 and 176 and report back to this committee on a course of action. FWP is prepared to provide this committee or a subcommittee with any additional information, including all the public input we have received, to support your deliberations.