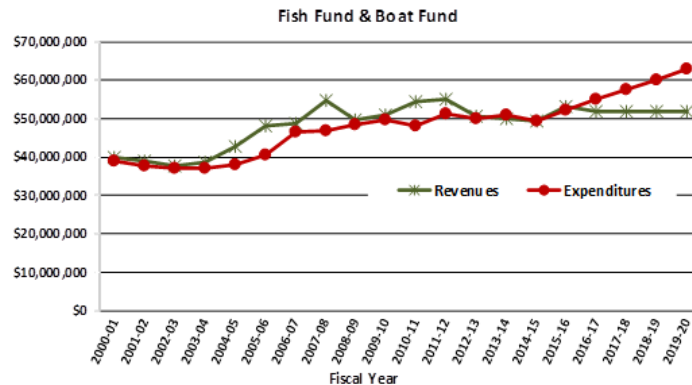


## Pennsylvania Fish & Boat Commission - Fiscal Challenges

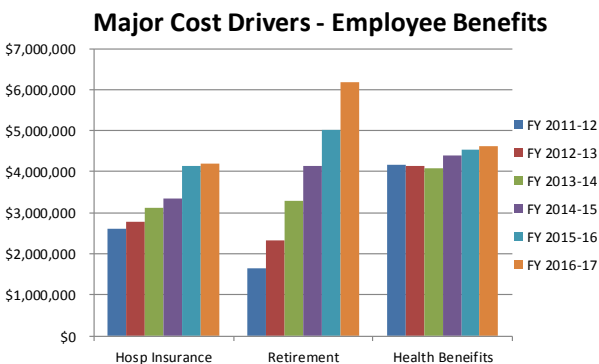
February 6, 2017

The PFBC is funded primarily by angler and boater revenues - User pays, user benefits model.

As a general rule - the PFBC has been operating under the philosophy that it will not expend more than it generates in revenues, until it can maintain an average of one year's worth of funding in uncommitted reserves.



PFBC fishing license fee levels have not changed since 2005. Increases in annual operating costs can no longer support ongoing operations without further reductions in spending or increases in revenue. Since 2001, the PFBC has reduced full-time salaried staff from a high of 432 to its current level of 376, and wage positions from 119 to 50.



Beginning in fiscal year 2016-17, annual personnel and operating costs are projected to exceed annual revenues. Required pension contributions, health care costs, general pay increases, and inflation are the main cost drivers.

The PFBC employed 376 salaried (fulltime) and 50 wage positions at a cost of \$36.9 million in fiscal year 2015-16, or 70.7% of its total annual expenditures. Of this amount, \$13.7 million, or 26.2% of total personnel costs, was expended on

retirement & healthcare benefits.

Without additional or new revenues, the PFBC must reallocate millions of dollars from current operations and programs, or use reserve funds to cover future costs, liabilities and commitments.

As of January 26, 2017, the PFBC's total uncommitted reserve fund balance was \$58.7 million. The total reserve fund balance of \$97.4 million also contains other funds committed for future contractual obligations, restricted due to legal settlements or legislative mandates, or held to ensure the PFBC has sufficient cash on hand to meet annual cash flow needs when revenues do not cover expenditures. Uncommitted reserves are the rainy day funds saved as the result of the accumulation of excess revenues over operating needs. The PFBC has intentionally grown an uncommitted reserve balance of this level to deal with unforeseen emergency infrastructure needs (e.g., dam failure; major hatchery issue), and to cover pending health care and pension obligations while maintaining operations and services in the absence of a revenue increase.

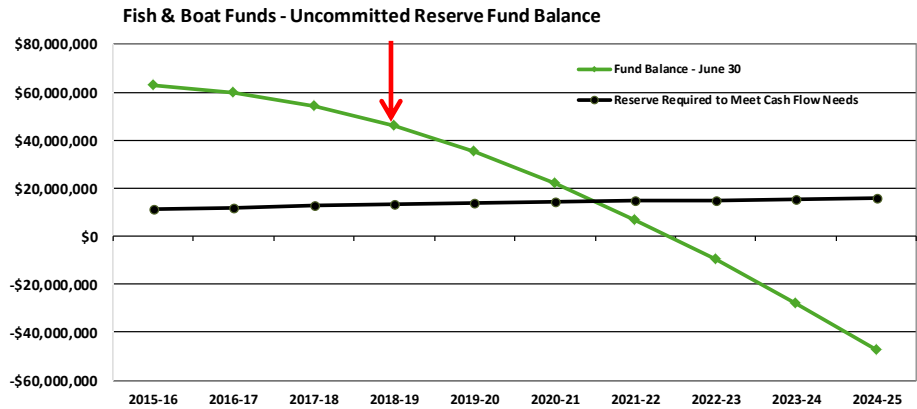
If the PFBC's current uncommitted reserve funds are used to cover future health care and pension costs, they would be depleted within five years and the agency would be insolvent.

Additionally, if the PFBC used uncommitted reserves to address

infrastructure needs, maintenance of facilities, and the replacement of equipment, the uncommitted reserve funds would be consumed at a much faster rate. Under our current budget management philosophy, most infrastructure and replacement equipment needs have been drastically reduced or eliminated. This has created a backlog of maintenance projects, deferred infrastructure spending, and the need to replace a large percentage of the PFBC's vehicles and other equipment.

To address this fiscal challenge, the PFBC will continue to equalize expenditures with revenues by selling or disposing of non-performing assets like real property, vehicles and other equipment; aggressively managing and marketing its oil, gas, water access, and timber resources; and continuing to advocate for increased license fees. However, absent a revenue increase, the PFBC will need to prepare and implement a plan to significantly cut programs by fiscal year 2018–19 in order to meet balanced budget objectives and avoid insolvency (see red arrow above).

To maintain adequate funding to sustain operations, the PFBC is seeking the authority to establish its fee levels or a general license fee increase. Regardless of the legislative solution, the PFBC needs to adjust the cost of its various licenses by roughly 30 percent initially and then gradually by a modest 3 percent for each of five successive years.



### Fishing License Fee Schedule - Current & Proposed

License Category	Current	2018	2019	2020	2021	2022	2023
Resident	\$ 21.00	\$ 27.30	\$ 28.12	\$ 28.96	\$ 29.83	\$ 30.73	\$ 31.65
Nonresident	\$ 51.00	\$ 66.30	\$ 68.29	\$ 70.34	\$ 72.45	\$ 74.62	\$ 76.86
Resident Senior	\$ 10.00	\$ 13.00	\$ 13.39	\$ 13.79	\$ 14.21	\$ 14.63	\$ 15.07
Resident Senior Lifetime	\$ 50.00	\$ 100.00	\$ 103.00	\$ 106.09	\$ 109.27	\$ 112.55	\$ 115.93
3-Day Tourist	\$ 25.00	\$ 32.50	\$ 33.48	\$ 34.48	\$ 35.51	\$ 36.58	\$ 37.68
7-Day Tourist	\$ 33.00	\$ 42.90	\$ 44.19	\$ 45.51	\$ 46.88	\$ 48.28	\$ 49.73
1-Day Resident	\$ 10.00	\$ 13.00	\$ 13.39	\$ 13.79	\$ 14.21	\$ 14.63	\$ 15.07
1-Day Tourist	\$ 25.00	\$ 32.50	\$ 33.48	\$ 34.48	\$ 35.51	\$ 36.58	\$ 37.68
Trout Permit	\$ 8.00	\$ 14.40	\$ 14.83	\$ 15.28	\$ 15.74	\$ 16.21	\$ 16.69
Trout and Lake Erie Permit	\$ 14.00	\$ 20.40	\$ 20.83	\$ 21.28	\$ 21.74	\$ 22.21	\$ 22.69