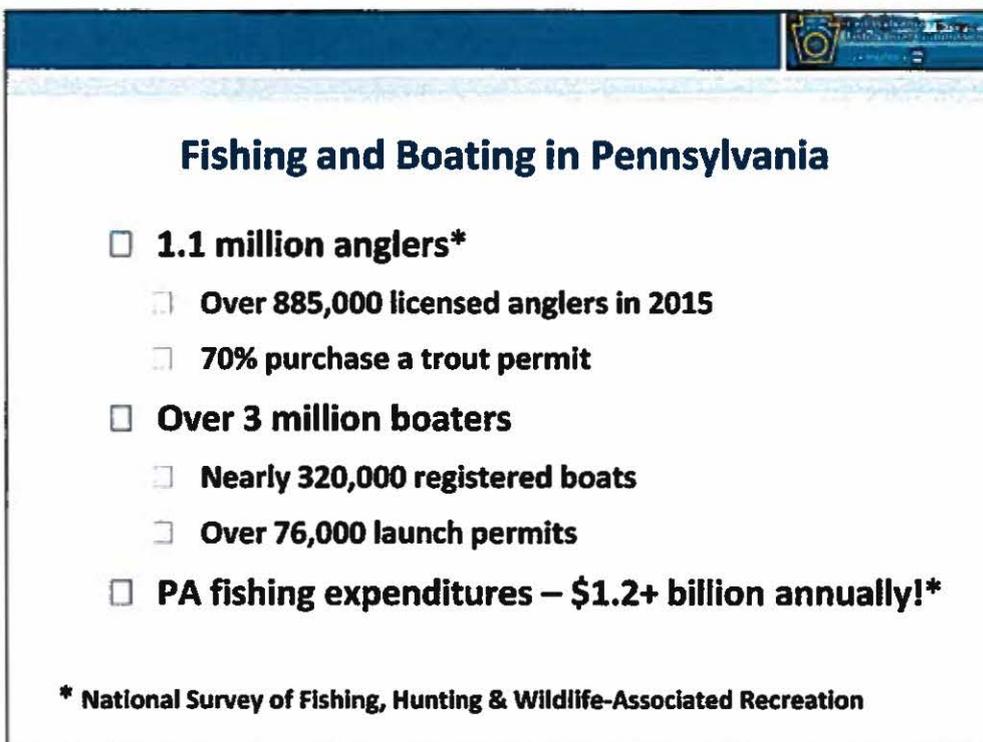


Good morning, Chairmen Gillespie and Harhai and other members of the House Game and Fisheries Committee. On behalf of our Board of Commissioners, I am very pleased to be back before you just a little over a month since I delivered our agency's Annual Report.

When we were together in February, one of the main topics of discussion was a proposal from Senators Eichelberger and Wozniak regarding the establishment of Fish and Boat Commission fees. The idea has gained a great deal of momentum since then, and I appreciate the opportunity to talk more about the proposal today.





Fishing and Boating in Pennsylvania

- 1.1 million anglers***
 - Over 885,000 licensed anglers in 2015**
 - 70% purchase a trout permit**
- Over 3 million boaters**
 - Nearly 320,000 registered boats**
 - Over 76,000 launch permits**
- PA fishing expenditures – \$1.2+ billion annually!***

*** National Survey of Fishing, Hunting & Wildlife-Associated Recreation**

With last Saturday's start to trout season in southeastern Pennsylvania and the statewide opener in a little over a week, fishing is on the minds of Pennsylvanians more now than at any other time of year – with about 70% of our customers purchasing a trout permit. But Pennsylvania's fishing opportunities do not end with trout. In fact, we have phenomenal warmwater fisheries that combine with trout to attract an estimated 1.1 million anglers to Pennsylvania each year, generating \$1.2 billion in annual fishing-related expenditures.

Most of our recreational opportunities are supported by natural reproduction of fish such as wild trout, panfish, black bass, American shad and others that live, reproduce, and grow in our 86,000 miles of streams and rivers and over 4,000 lakes. However, the PFBC also significantly contributes to the recreational and economic value of fishing through the stocking of 3.2 million catchable trout, another 1 million more to Cooperative Nurseries to grow and stock, and over 10 million cool and warm water fish like muskies, walleye and striped bass. Our WCOs police our waters to insure that they are protected; our biologists survey our waters to determine how they should be managed and conserved; and our staff work to enhance our waters by improving the habitats that various species of fish use to reproduce and survive.

Pennsylvania anglers purchased over 885,000 licenses last year, continuing the upward sales trend of the last few years as we work more strategically to market fishing in Pennsylvania.

Boating is also a major sport and economic engine in Pennsylvania. Over 3 million boaters enjoy our waters, and we register nearly 320,000 boats annually. Unpowered boats continue to grow in popularity, and we issued over 76,000 launch permits in 2015.



Current System

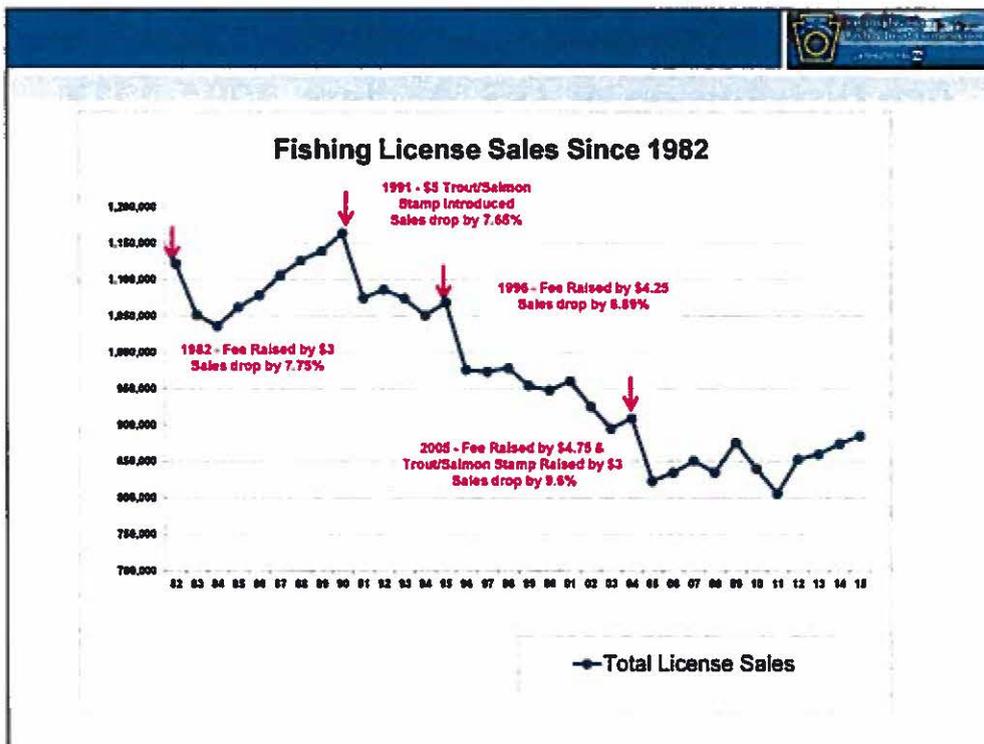
- Legislature Sets Fees**
- Last Boat Registration Increase in 2004**
- Last Fishing License Increase in 2005**
- Results in Large Increases that Drive Down Participation**
- Act 66 of 2012 Authorized Multi-Year Licenses**
 - Convenient and Cost-Effective**
 - Helps Retain and Reactivate Anglers**
 - Increases the Amount of Leisure Time Spent Fishing**

As you know, the General Assembly and Governor currently establish the categories and set the fees for fishing licenses and permits and boat registrations and other related fees.

The current system of establishing the PFBC's fees by legislation after long intervals of time results in large increases that drive angler participation down due to the size of the increases necessary to offset rising costs.

Act 66 of 2012 authorized our agency to sell multi-year fishing licenses and to experiment with pricing and packaging options for less than the costs established by law. The multi-year licenses have been extremely successful as a convenient, cost-effective way to retain and even reactivate anglers, and I will discuss them in more detail in a few minutes.

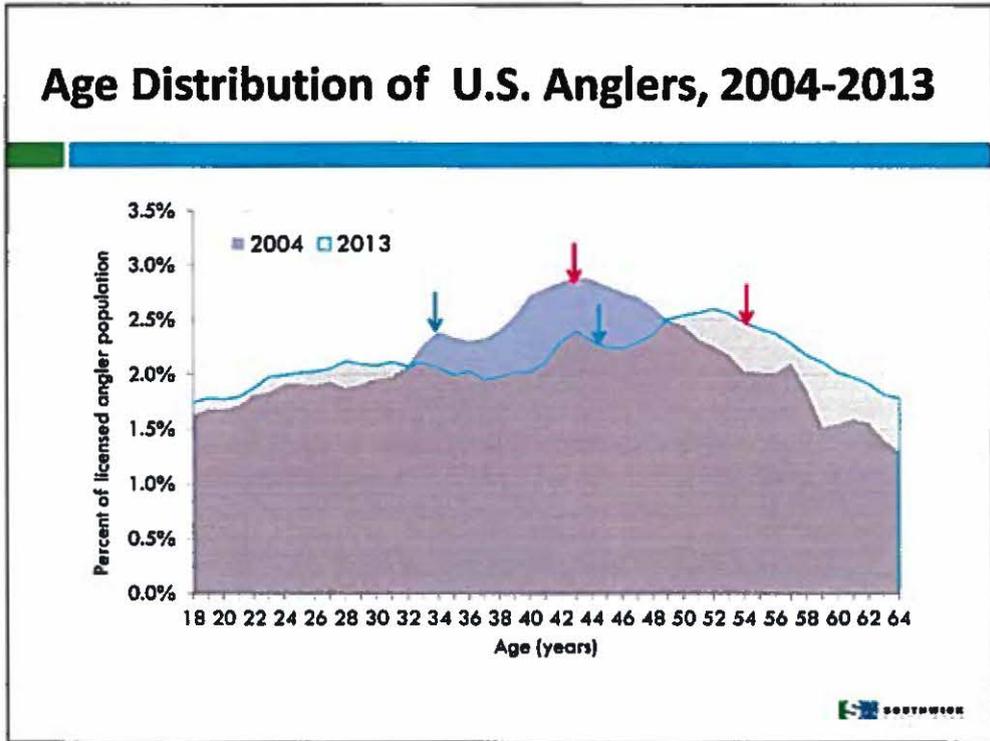
Under Senate Bill 1168, the PFBC would still be able to offer the popular multi-year fishing licenses and permits. Multi-year licenses have helped some by reducing the churn, but a new way of setting fees is necessary to best serve Pennsylvania's anglers and boaters as effectively as possible and also minimize the impact large fee increases have on general license sales.



This chart illustrates the downward trend we are trying to correct with Senate Bill 1168.

Until we peaked at 1.2 million license sales in 1991, we always rebounded after a decline in sales following a license increase. Unfortunately, we have been unable to recover from the 8-10% decreases in license sales following the last three increases.

Ideally, we would like to get away from this boom-and-bust cycle that has steadily contributed to fewer and fewer license sales over time. Senate Bill 1168 would give us the tools to do just that.



We have been working with national experts from Southwick Associates to analyze license sales data. They recently shared this slide that depicts the age distribution of anglers across the country. It is a real wake-up call to see the large bubble of anglers moving through the ranks without a new age group of younger anglers taking their place.

The extremely popular Mentored Youth Trout Days we have been offering to allow kids to fish a week before the regular opening day of trout season are great examples of the steps we are taking to try to reignite the flame for fishing among kids as more and more things compete for our and their time. The first one this year was March 26, and the statewide day for kids will be this Saturday, April 9. I am really looking forward to taking my grandsons fishing on Saturday.

But recruiting kids is not enough to get us back to where we need to be. Ultimately, we need to find a balance between a fee structure that gets us the revenue we need to operate without creating a disincentive to people to buy a fishing license.



From Senators Eichelberger and Wozniak Co-Sponsor Memo

“As an independent administrative agency that is not supported by General Fund revenues and relies on user fees to pay for almost everything it does, the PFBC has a vested business interest in setting a fee structure that generates sufficient revenues to sustain its work on behalf of anglers, boaters, and aquatic resources while having the least possible negative impact on participation and sales.”

In their co-sponsor memo that attracted 20 other bipartisan Senators to sign on to the bill, Senators John Eichelberger and John Wozniak stated the following: “As an independent administrative agency that is not supported by General Fund revenues and relies on user fees to pay for almost everything it does, the PFBC has a vested business interest in setting a fee structure that generates sufficient revenues to sustain its work on behalf of anglers, boaters, and aquatic resources while having the least possible negative impact on participation and sales.”

That comment is a great summary of both what we need to do and what we intend to do with the authority from Senate Bill 1168. We are not a for-profit business; but as a government business, we need to use the revenue we receive from customer sales to provide the goods and services that our anglers and boaters expect. No more...No less!

As I explained to you in February, in order to sustain core operations while meeting rising retirement and health care obligations, we need to increase revenue or drastically cut costs. We have been systematically reducing our full-time complement – from 432 approved positions down to about 380 today – and we cannot go any lower without significant programmatic cuts that would seriously impact the services that we provide. If that would happen, we will fall

short of meeting our customers' expectations, and no one should be surprised if sales decline and less people fish – which is the response we have seen in the past.



Senate Bill 1168

- Authorizes PFBC to Establish Fees**
 - Fishing Licenses and Permits, Boat Registrations and Titles, Other Outdated Fees**
 - Legislature Continues to Establish the Categories**
- Requires Public Comment**
- 3-Year Sunset**
- Other Provisions**
 - Broadens Use of Lake Erie Funds for Public Fishing**
 - Technical Amendments**

Senate Bill 1168 authorizes the Pennsylvania Fish and Boat Commission (PFBC) to establish fees charged to anglers and boaters, namely fishing licenses and permits and boat registrations and titles.

We have consistently demonstrated a commitment to fiscal discipline, and we were recognized by the LBFC in their most recent triennial audit for having the lowest expenditures per license among states surveyed nationwide.

Senate Bill 1168 would take the next step of allowing us to apply the same disciplined approach to the fees we charge our customers.

Senate Bill 1168 also authorizes the PFBC to change other outdated fees; broadens the use of proceeds from the Lake Erie permit for projects that benefit public fishing; removes the word "salmon" from the trout/salmon permit since the agency no longer stocks salmon; and makes minor technical amendments to ensure consistency throughout Title 30.



PFBC Approach to Setting Fees Under SB 1168

- Account for inflation since the last license increase**
- Anticipate changing demographics**
- Recognize sales data patterns**
- Anticipate subsequent modest, incremental increases to keep up with rising costs**
- All while minimizing the long-term impacts to customers**

Our Board of Commissioners and I are committed to using a deliberate, business approach to setting fees that accounts for inflation since the last license increase in 2005; anticipates changing demographics; recognizes sales data patterns; and anticipates modest, incremental increases to keep up with rising costs – all while attempting to minimize the long-term impacts to our customers.

I mentioned the Southwick Associates analysis earlier, and we will certainly be taking their expert advice into consideration, before, during and after the implementation of fee changes.

Again, as I noted in February, we have begun working with professors and MBA students from Penn State to help us develop a business plan that will inform our decision-making and the development of the agency's next strategic plan. Just like they have analyzed and advised for-profit businesses, we are enlisting the team from the Smeal College of Business at Penn State to help us identify ways to minimize costs and increase revenues by applying concepts that might seem foreign to a state agency but which are, I believe, necessary to improve the way we operate on behalf of our customers.

That includes the way we arrive at the fees that we charge.

Senate Bill 1103

License Category	Current Fee	Proposed Fees					
		Initial Increase	With 3% Annual Increases				
		2017	2018	2019	2020	2021	2022
Resident Annual	\$21.00	\$26.25	\$27.04	\$27.85	\$28.68	\$29.54	\$30.43
Nonresident Annual	\$51.00	\$63.75	\$65.66	\$67.63	\$69.66	\$71.75	\$73.90
Senior Resident Annual	\$10.00	\$12.50	\$12.88	\$13.26	\$13.66	\$14.07	\$14.49
Senior Resident Lifetime	\$50.00	\$100.00	\$103.00	\$106.09	\$109.27	\$112.55	\$115.93
3-Day Tourist	\$25.00	\$31.25	\$32.19	\$33.15	\$34.15	\$35.17	\$36.23
7-Day Tourist	\$33.00	\$41.25	\$42.49	\$43.76	\$45.07	\$46.43	\$47.82
1-Day Resident	\$10.00	\$12.50	\$12.88	\$13.26	\$13.66	\$14.07	\$14.49
1-Day Tourist	\$25.00	\$31.25	\$32.19	\$33.15	\$34.15	\$35.17	\$36.23
Trout/Salmon Permit	\$8.00	\$14.00	\$14.42	\$14.85	\$15.30	\$15.76	\$16.23
Combination Trout/Salmon and Lake Erie Permit	\$14.00	\$20.00	\$20.42	\$20.85	\$21.30	\$21.76	\$22.23

PFBC Staff Proposal Would Not Exceed SB 1103
 Projected Revenue After 3 Years: \$6.3 Million

One of the questions I have frequently been asked is what our first proposal might look like if we were given the authority to establish our fees.

We worked very closely with Senator Brewster to develop the SB 1103 proposal to include an initial fee increase followed by five incremental steps to keep up with inflation. Most notably, the resident annual license would go from \$21 to \$26.25 in the first year, and the trout permit would increase from \$8.00 to \$14.00.

The additional trout/salmon permit revenues would be used to help cover approximately 56% of the projected \$13 million needed to operate the trout production facilities in 2017 – about the same percentage of trout production costs covered by the permit when it was established in 1991.

Soon after Senators Eichelberger and Wozniak began seeking co-sponsors, Senator Brewster signed on to their proposal, acknowledging it as an alternative for helping to sustain the agency and as a new way to put a fee structure in place that raises the revenues we need to do our job. We are grateful to Senator Brewster for kicking off the discussion here at the capitol that led to SB 1168.

The fees outlined in SB 1103 are what we project would maximize revenue while minimizing the impacts to customers for the 2017 license year that begins December 1, 2016. This comprehensive, six-year proposal is projected to initially generate \$5.4 million in new revenue for the PFBC in the first year, and an additional \$2.3 million by 2022 as a result of the incremental increases – for a total of nearly \$7.8 million in new annual revenue. With the three-year sunset provision in SB 1168, the fee structure could generate a total of \$6.3 after the initial increase and two subsequent incremental increases if the approach outlined in SB 1103 is used.

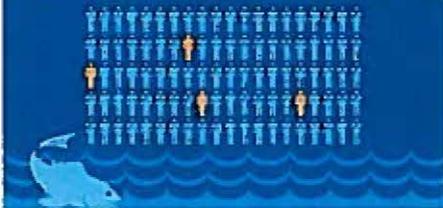
If given the authority in time to consider and enact the fees by the 2017 license year, I would expect our proposal to be no greater than those in SB 1103.

If the authority were to come to us later this legislative session without time to go through the public comment period and have the fees in place for next year, we may need to consider slightly higher increases to account for another year of rising costs.

However, I must emphasize that our approach at an initial increase combined with gradual incremental increases does not fully cover our projected increases in agency expenses for pensions, health care and costs of general inflation. These additional revenues will certainly help, but we need to continue to look for other sources of alternative revenues beyond license and registration fees to sustain and grow fishing and boating into the future.

National churn among anglers

4% of anglers purchased a fishing license in each of the last 10 years



Angler loyalty in Pennsylvania and U.S.

	PA	US
Seasons Purchased	Residents	Residents
1 out of 5	40%	42%
2 out of 5	19%	19%
3 out of 5	12%	13%
4 out of 5	10%	11%
5 out of 5	20%	15%

 SOUTHWICK

Among the factors we will take into consideration is the tremendous amount of data we have been able to collect and analyze about our license buyers, including multi-year licenses.

These slides from Southwick show that only 4% of anglers nationwide purchase a fishing license every year for ten years. Angler loyalty in Pennsylvania is about on par with national statistics, with slightly more people in Pennsylvania inclined to buy a license every year for five years.

We have learned that about 50% of our multi-year license buyers would not have bought an annual license for three or five consecutive years. These customers now enjoy the convenience of having a license, which causes them to fish more often. This is the sort of data we will consider as we think about how multi-year licenses fit into any new pricing structure.



Multiple Opportunities for Public Input on Proposed Fees

- Transparent Decision-Making by Board of Commissioners**
- Publication in *Pennsylvania Bulletin***
- Opportunity for Public Comment**
- Consideration at Two Public Meetings**

In working with Senator Eichelberger and his staff on the text of Senate Bill 1168, it was very clear that any fee-setting decisions should be made using an open, public process.

As a customer-focused agency, we have always sought out public opinion whether it is for regulatory or major policy actions or even for a fisheries management plan for a particular water. We recognize and appreciate the need for public input before we move forward with any action that may impact our customers. This is a necessary part of good, responsible government.

Under SB 1168, fees would be established by regulation. The process would offer the opportunity for public comment, include publishing in the *Pennsylvania Bulletin*, and be considered by the Board of Commissioners at two separate public meetings.

Continued Legislative Oversight

- 3-Year Sunset Provision in SB 1168**
- Annual Reports to House and Senate Game & Fisheries and Appropriations Committees**
- Triennial Audits by Legislative Budget and Finance Committee**
- Senate Approval of Commissioners Every 4 Years**

SB 1168 includes a three-year sunset provision, allowing the General Assembly to evaluate this new approach before extending the authority to the PFBC for additional years. We welcome this added level of transparency since we are confident that we will pass the three-year test and show that we have both the commitment and capacity to make decisions that are in the best interests of the agency and our customers.

In addition to the transparent process that includes public comment, existing checks and balances offer opportunities for monitoring the PFBC's responsible implementation of this authority.

The PFBC is required to submit an annual report to the House and Senate Game and Fisheries and Appropriations Committees.

The Legislative Budget and Finance Committee (LBFC) conducts a performance audit of the PFBC every three years.

Also, as was pointed out in the co-sponsor memo, members of the Board of Commissioners are subject to Senate confirmation every four years.



Support for Senate Bill 1168

- Senators Eichelberger and Wozniak Prime Sponsors**
- 20 Other Senators are Co-sponsors**
- Major Sportsmen Organizations Support**
 - Pennsylvania Federation of Sportsmen's Clubs**
 - Unified Sportsmen of Pennsylvania**
 - Trout Unlimited**
 - Congressional Sportsmen's Foundation**
- Unanimously Reported from Senate Game & Fisheries Committee on March 23, 2016**

Since the co-sponsor memo was initially circulated by Senators Eichelberger and Wozniak in mid-January, the idea has gained a great deal of momentum. To date, 20 other bi-partisan Senators from across Pennsylvania have signed on to the bill.

Our Commissioners were delighted to welcome Senator Eichelberger himself to make a few comments about the bill at their quarterly meeting last week. It is very rare for a State Senator to personally come to one of our meetings to explain a bill he is introducing on behalf of our agency and its customers, and it was great to be able to publicly thank Senator Eichelberger for his leadership.

The bill also has the broad support of sportsmen, with formal endorsements from major statewide and national organizations including the Pennsylvania Federation of Sportsmen's Clubs (PFSC), the Unified Sportsmen of Pennsylvania (Unified), Trout Unlimited (TU), and the Congressional Sportsmen's Foundation.

PFSC – “[T]he PFSC supports the efforts to increase license fees for both agencies, and we support going one step farther and allowing the agencies to have the authority to set their own fees.”

Unified – “The Unified Sportsmen of Pennsylvania...supports current legislation to allow the PFBC license increase as identified in SB 1168.”

TU – “To preserve Pennsylvania’s fishing heritage and to ensure that fishing continues to support the state and local economies, the PFBC must be able to determine its own license and permit fees, to make sure it has the necessary resources on an annual basis to fulfill its mission and provide abundant, world-class fishing opportunities. In conclusion, PATU supports Senate Bill 1168...”

We appreciate Senator Scavello’s support for moving the bill out of the Senate Game and Fisheries Committee, and it was a real thrill for me to be at the meeting where it was reported unanimously on March 23. We look forward to seeing the bill move through the next steps in the Senate and hopefully be before your committee for a vote in the coming weeks.

Thank you for the opportunity to meet with you today. I would be happy to answer any questions.