

98-9 Funding Fish and Wildlife Programs, Department of Natural Resources

Summary

Wisconsin has relied primarily upon revenue generated from the sale of hunting and fishing licenses to support its fish and wildlife programs. During legislative deliberations on proposals for fee increases that were enacted by 1997 Wisconsin Act 1, a number of questions were raised about the programs funded by the Department of Natural Resources' Fish and Wildlife Account, which is the repository of license fee revenue. Of particular concern were the relationship between hunting and fishing fees and the amount spent on related programs; how the Department allocates funds to its various programs; and whether additional sources of revenue other than hunting and fishing license fees could fund fish and wildlife activities.

In fiscal year (FY) 1996-97, the Department received \$83.7 million in revenue to fund fish and wildlife activities. Fifty-nine percent of that amount, \$49.3 million, came from user fees paid by hunters and anglers, including:

- fees from hunting and fishing licenses sold to individual hunters and anglers; licenses sold for commercial fishing and clamming activities, bait dealing, wild rice harvesting, and operating private game farms and fish hatcheries; and licenses sold to taxidermists;
- fees from hunting and fishing stamps, which must be purchased in addition to regular licenses in order to hunt or fish certain species, including waterfowl, wild turkey, pheasant, inland water trout, and Great Lakes trout and salmon; and
- a wildlife damage surcharge of \$1 on all hunting licenses and \$2 on the conservation patron license, which allows individuals to hunt and fish a number of game species, to fund payments to counties under the wildlife damage abatement and claims programs, which provides payments to farmers for crop damage related to certain game species, such as deer and geese.

In addition, the Legislature authorizes the issuance of general obligation bonds to fund both land purchases through the Stewardship program and large capital projects such as the construction of fish hatcheries. Supplemental funding is also provided through federal grants; general purpose revenue (GPR); program revenue; and gifts and grants.

In FY 1996-97, the Department spent \$81.2 million in state and federal funds, including debt service, on fish and wildlife-related programs. Of this total, \$4.6 million, or 5.6 percent, was GPR. Fish and wildlife program funding supported 785.8 full-time equivalent employees and at least 850 limited-term employees. As shown in the following table, funds were used for a variety of purposes.

Fish and Wildlife-Related Expenditures by Activity FY 1996-97

	<u>Expenditures</u>	Percentage of <u>Total</u> <u>Expenditures</u>
Resource management and education	\$33,723,451	41.5%
Habitat development and land acquisition	22,550,974	27.8

Administration	13,505,687	16.6
Research	4,269,534	5.3
Debt Service	4,247,665	5.2
Activities not directly supporting hunting or fishing	1,815,626	2.2
Other	<u>1,100,552</u>	<u>1.4</u>
Total	\$81,213,489	100.0%

The Department has not created a single fish and wildlife program; rather it considers numerous activities performed by staff in nine separate bureaus as related to fish and wildlife and, therefore, eligible for funding by user fees. The Department is not statutorily restricted in its use of these fees. Consequently, hunters and anglers have long been concerned whether their fees are used directly to enhance game populations, or more broadly to improve the environment for others who enjoy the outdoors but do not purchase hunting and fishing licenses, or for administrative purposes.

These concerns about use of license fees have been increased by several of the Department's decisions in recent years. For example, the Department planned to fund a buyout of commercial fishing licenses on Lake Superior with hunting and fishing license fee revenues until it reversed this decision in the face of public and legislative opposition. In addition, a major reorganization of the Department begun in 1997 has raised additional concerns about the ability of those outside of the Department to track how license fees are spent. We analyzed available documentation on the Department's expenditures and found that in FY 1996-97, \$50.4 million in user fees was used for activities that benefited not only hunters and anglers, but other users of natural resources as well. Of the activities funded, we found that:

- \$20.0 million, or 39.7 percent of expenditures funded by user fees, supported activities that primarily benefited hunters and anglers, such as managing game populations, preserving fish habitat, and conducting ecological assessments and evaluations of game species;
- \$17.8 million, or 35.3 percent of expenditures funded by user fees, supported activities that benefited multiple users, such as facilities and lands maintenance and wildlife education;
- \$11.6 million, or 23.0 percent of expenditures funded by user fees, financed a portion of the Department's overhead costs; and
- \$1.0 million, or 2.0 percent of expenditures funded by user fees, supported activities that did not directly support game species, such as work on endangered resources and providing assistance to other bureaus for activities related to a variety of regulatory functions.

While a significant portion of user fees is spent on activities that benefit multiple users rather than hunters and anglers exclusively, the Department also spends non-user fee revenues, including GPR and federal aid, on fish and wildlife activities.

On activities that primarily benefit hunters and anglers, the Department spent an additional \$11.3 million that included \$4.7 million for game population management and \$2.4 million for game species research. In addition, the Department spent \$18.7 million from other revenue sources on activities that benefited hunters and anglers as well as other individuals. These funds supported land acquisition, facilities and land maintenance, and capital development projects.

The Department is able to allocate fishing and hunting license fees as it has done because it faces few statutory

restrictions on the use of the fees, and its legislatively approved budget contains most funds in a single appropriation. For most of the \$49.3 million in user fee revenue received in FY 1996-97, statutes only prohibit license fees from being used for purposes other than provided for by the Department. Only \$2.6 million in revenue from the sale of stamps and two-day Great Lakes fishing licenses has explicit statutory restrictions on its use.

Understanding the Department's flexibility provides a useful context for assessing the level of funding currently allocated to individual activities. For example, in February 1998, the Department issued a report indicating Wisconsin ranked 49th among the 50 states in the number of wardens based on the state's population. As a result, the Legislature authorized an additional 18 conservation wardens, of which 17 are funded by GPR and 1 by segregated revenue, in 1997 Wisconsin Act 237.

Although the number of wardens in Wisconsin is lower than in most other states, the total amount of resources Wisconsin devotes to fish and wildlife activities is more consistent with the overall resource allocation of other states. Wisconsin's FY 1997-98 fish and wildlife budget, excluding large capital projects, is \$70.6 million, compared to a national average of \$35.7 million. While Wisconsin's fish and wildlife resources are used more heavily than many other states', expenditures are similar to national averages, even when adjusted for the extent of their use by residents and tourists. For example, for each state's current budget year, the national median amount budgeted per hunter and angler was \$30.44, while the amount budgeted by Wisconsin was \$33.50.

Constituent groups and legislators have expressed concern that insufficient information has been available about how funds are allocated among the various fish and wildlife-related activities, leading to questions about the Department's accountability over the use of these funds. While answers to such questions are typically provided through an agency's financial accounting systems or other program and management reports, the Department's internal reporting systems have not been used for such accountability purposes.

The Department's financial reporting system meets its needs for processing financial transactions but has not been used to readily provide information on program activities, such as which sources of revenue fund which types of activities. The difficulty of obtaining such information is exacerbated by the Department's practice of making large numbers of financial transfers at the end of the year that reallocate costs incurred throughout the year from one account or funding source to another. For example, at the end of FY 1996-97, the Department made 189 transfers from the Fish and Wildlife Account that moved \$29.4 million in expenditures to other accounts. Tracking these transfers is further complicated by the Department's practice of grouping numerous expenditures for several different activities within a single transfer.

Although not inappropriate from a financial accounting perspective, this practice raises concerns that when non-license fee revenue is insufficient to cover related expenditures, some expenditures will remain charged to the Fish and Wildlife Account, where they will be covered by license fees. For example, in FY 1996-97, hunting and fishing license revenue was used to support \$556,959 in recreational boating enforcement and \$181,123 in endangered resource projects, such as developing habitat for prairie chicken, swan, and tern populations. Similarly, while the Department's system for recording staff time can provide significant detail about time and costs associated with some activities, it also categorizes over 22 percent of staff time, which equates to over \$9 million in expenditures, to a general category called "basic program services" which gives little indication of the activities conducted or which constituencies were served.

Information about program activity and performance that is useful for accountability is also often available in agency planning documents and other management reports. However, while the Department conducts considerable planning for various projects and for specific properties and individual species, these efforts have not been fully integrated to provide the Legislature or the public with a comprehensive understanding of what the Department plans to accomplish and how resources will be allocated among its various goals. For example, while the Department prepares numerous planning documents for specific properties, such as the Dells of the Wisconsin River State Natural Area Management Plan, these plans are not directly linked to actual expenditure data that could inform the Legislature and the Department's managers about how much is being spent to meet goals. Similarly, plans have not been integrated with performance data to report progress in meeting goals previously established by the Department.

Staff indicate the Department is beginning to develop performance measures for its activities. To ensure the usefulness of these performance measures, we include recommendations that the Department establish measures of actual performance and accomplishments, rather than measures of activity such as staff time spent; that measures be quantifiable and be linked to quantifiable goals; and that reports be prepared within six months after the end of each fiscal year describing progress in meeting goals and comparing how amounts actually spent on each goal compare to the amounts originally budgeted.

Because of questions about the degree to which hunting and fishing fees support a variety of activities, interest has been expressed in broadening the State's funding base for fish and wildlife activities. We surveyed the other 49 states and obtained information on their operating budgets and revenue sources for fish and wildlife programs. For comparability, we asked states to exclude amounts they budgeted for large capital expenditures or for activities such as parks or forestry programs. In addition, we reviewed information from a United States Fish and Wildlife Service study on the use of fish and wildlife resources in each state.

We found that Wisconsin's fish and wildlife budget is larger than those of most other states. As noted, in FY 1997-98, Wisconsin budgeted \$70.6 million for program operations, excluding large capital projects, compared to a national average of \$35.7 million. Wisconsin ranks first in the size of its fish and wildlife budget when compared to seven other midwestern states. However, Wisconsin's fish and wildlife resources are also used more heavily than those of many other states. When fish and wildlife budgets are adjusted to take resource use by both residents and non-resident tourists into account, Wisconsin spends close to the national average on fish and wildlife programs: Wisconsin budgets \$2.60 per hunter and angler per day, compared to the median among states of \$2.08 per person per day.

Most states have two primary sources of funding for their fish and wildlife programs—user fees imposed on hunters and anglers, and federal aid. Wisconsin is no different but relies on user fees to a greater extent than most other states. Excluding large capital expenditures, user fees represent 77.2 percent of Wisconsin's FY 1997-98 fish and wildlife budget. This represents a larger percentage than for all other states except Montana and Colorado. Overall, states rely on user fees to support approximately 56.1 percent of their fish and wildlife budgets.

In addition to user fees and federal aid, most states use other revenue sources to support fish and wildlife programs, including general fund appropriations. However, in all but a few instances, these additional revenue sources serve only to supplement user fees and federal aid. Only nine states use secondary sources of revenue to support more than one-third of their fish and wildlife budgets. The most common and significant type of secondary revenue is general fund revenue, which 22 states use to fund fish and wildlife programs. Other types of secondary revenue used by states include transportation-related fees, such as boat registrations; state lottery profits; and miscellaneous fees and taxes, such as public document recording fees, hotel room taxes, and cigarette taxes.

Some conservation groups in Wisconsin have developed a proposal to dedicate a portion of the state sales tax to fund fish and wildlife activities. The proposal is similar to funding strategies used in Arkansas and Missouri, where voters have approved referenda to dedicate one-eighth of one percent of their state's sales tax revenues to fund conservation programs. In Wisconsin, using 1996-97 sales tax revenues, such a proposal would have generated over \$65 million. Alternatively, in its report to the Legislature in January 1998 on funding options, the Department suggested raising between \$2.5 and \$4 million annually to supplement current funds through several sources, including an increase in the beer tax, an increase in automobile registration fees, an increase in the real estate transfer tax, a tax on net proceeds from non-metallic mining, or a portion of increased revenue from tribal gaming compacts.
