

An Evaluation:

Fish and Wildlife Funding

Department of Natural Resources

June 2006

Report Highlights ■

In FY 2004-05, DNR spent \$120.2 million for fish and wildlife activities, including \$68.2 million in user fees.

Hunters and anglers received some benefit from 97.6 percent of DNR's user fee expenditures in FY 2004-05.

Administrative costs were below the statutory limit of 16.0 percent but exceeded the Legislature's intent for these expenditures.

Fish and Wildlife Account expenditures have exceeded revenues in each of the past five fiscal years.

To support hunting and fishing opportunities for Wisconsin residents and nonresidents, the Department of Natural Resources (DNR) develops, maintains, and enhances fish and game habitat, propagates and stocks some species, studies and monitors fish and game populations, promotes the safe use of natural resources through enforcement and education efforts, and purchases land to provide additional hunting and fishing opportunities. In fiscal year (FY) 2004-05, DNR spent a total of \$120.2 million for these and other fish and wildlife activities, including \$68.2 million generated from the sale of hunting and fishing licenses and stamps and from other user fees paid primarily by hunters and anglers.

For a number of years, some hunters and anglers have raised concerns about the extent to which the license and other fees they pay are spent on activities related to hunting and fishing. Legislators and others have also questioned how DNR funds its administrative costs and whether there are alternative sources of funding for fish and wildlife activities. To address these concerns, and at the direction of the Joint Legislative Audit Committee, we:

- analyzed revenues, expenditures, and staffing levels for DNR's fish and wildlife activities in FY 2004-05;
- classified expenditures by purpose and analyzed time-reporting records to determine the extent to which user fees fund activities that primarily benefit hunters and anglers;
- examined five-year revenue and expenditure trends in the Fish and Wildlife Account of the Conservation Fund; and
- surveyed officials in 49 other states to determine how they fund fish and wildlife activities.

Key Facts and Findings

In FY 2004-05, \$39.1 million in fish and wildlife expenditures funded by user fees, or 57.3 percent, primarily benefited hunters and anglers.

In FY 2004-05, \$19.9 million in user fee expenditures, or 29.2 percent, benefited hunters, anglers, and other users.

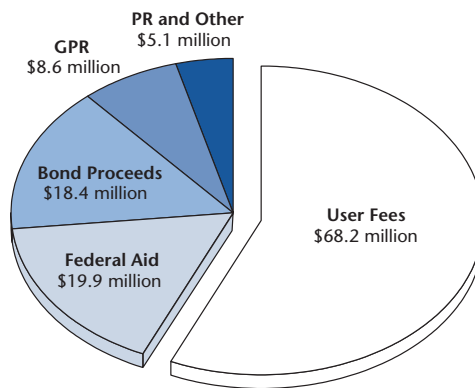
Hunters and anglers did not directly benefit from \$1.6 million, or 2.4 percent, of user fee expenditures.

Wisconsin's reliance on user fees exceeds the national average but has declined since FY 1996-97.

Funding Sources

Although \$68.2 million in user fees funded the largest share of DNR's \$120.2 million in spending for fish and wildlife activities, funding was also provided from other sources, including federal aid and general purpose revenue (GPR).

Expenditures by Funding Source
FY 2004-05



Proceeds from general obligation bonds totaled \$18.4 million and were used to purchase land for additional hunting and fishing opportunities. Program revenues (PR) came primarily from renting facilities or equipment.

Of total funds spent for fish and wildlife activities in FY 2004-05, \$63.3 million, or 52.7 percent, supported resource management and education. Habitat development and land acquisition activities represented another 30.4 percent of total expenditures, or \$36.5 million.

User Fee Expenditures

DNR's accounting system does not link revenues from user fees, including the different types of hunting and fishing licenses, to particular expenditures. Therefore we undertook significant audit steps to categorize expenditures according to their purpose and primary beneficiaries.

We found that 97.6 percent of user fee-funded expenditures in FY 2004-05 provided some level of benefit to hunters and anglers, including 57.3 percent spent primarily for their benefit. We also found that 2.4 percent of the \$68.2 million in user fees expended in that year, or \$1.6 million, did not directly benefit hunters and anglers.

User Fee Expenditures FY 2004-05	
	Percentage of Total
Primarily Benefited Hunters and Anglers	57.3%
Benefited Hunters, Anglers, and Other Users	29.2
Administrative Costs	11.1
Did Not Directly Benefit Hunters and Anglers	2.4
Total	100.0%

It is important to note that expenditures funded by user fees do not represent all DNR spending for activities that primarily benefit hunters and anglers. In FY 2004-05, DNR also spent \$21.0 million from other sources for these activities.

User fees funded \$7.5 million of DNR’s administrative costs at the department and division levels in FY 2004-05 and represented 11.1 percent of all user fee–funded expenditures.

DNR’s administrative costs were below a 16.0 percent limit established by statute. However, under an alternative definition of administrative costs twice proposed by the Legislature, which includes bureau-level administration and administrative costs related to issuing licenses, administrative costs would have represented 23.5 percent of all user fee expenditures in FY 2004-05.

Accounting for Staff Time

In FY 2004-05, DNR was authorized 874.4 FTE positions for fish and wildlife activities. Every two weeks, DNR staff account for their work hours using specific activity codes. These records show that in FY 2004-05, fish and wildlife staff worked 30,600 hours on activities that did not directly benefit hunters and anglers, such as endangered resources activities and work on state parks, trails, and forests.

During the same period, however, non–fish and wildlife staff worked 43,700 hours on activities that benefited hunters and anglers, such as habitat protection. Therefore hunters and anglers benefited from work performed by the equivalent

of 7.2 full-time staff whose positions were not funded by user fees or other sources of fish and wildlife funding.

Managing Funding Resources

To assess the financial condition of the Fish and Wildlife Account, we examined its year-end balance from FY 2000-01 through FY 2004-05. We found that expenditures exceeded revenues each year, and the account’s ending balance declined significantly.

Fish and Wildlife Account (in millions)	
Fiscal Year	Ending Balance
2000-01	\$28.3
2001-02	20.6
2002-03	6.7
2003-04	1.4
2004-05	1.0

DNR officials indicate these changes are related primarily to cyclical fluctuations in the timing of fee increases and large program expenditures. However, we believe close monitoring of the account’s balance is warranted, because without \$4.3 million in transfers that were authorized under the 2005-07 Biennial Budget Act, the Fish and Wildlife Account would likely have a negative balance by June 30, 2006.

Furthermore, two trends are likely to continue to put financial pressure on the account’s resources: a declining interest in both hunting and fishing among children and young adults, which reduces license sales, and a decline in the sale of deer hunting licenses related to concerns about chronic wasting disease (CWD), coupled with increasing program costs to combat it.

In FY 2004-05, DNR spent \$5.3 million—including \$3.5 million in user fees—on CWD management efforts that included registering deer in the disease eradication zones and collecting tissue samples for testing. These funds were therefore not available for other program purposes.

We also reviewed gifts and donations DNR received from private groups for fish and wildlife projects. It is the agency’s policy that donations of more than \$1,000 be reviewed by DNR staff, who send donors acknowledgment letters specifying how their gifts will be spent. Donations of more than \$5,000 must be reviewed by the Natural Resources Board, and the purpose of the donation must be documented in board minutes. We found that DNR has adequate procedures to monitor the use of gifts, and we found no instances in which donations were spent inappropriately.

DNR does not regularly review either how fish and wildlife project outcomes fit within its broader strategic plan or how initial project budgets compare to actual expenditures. We

noted that when performance measures are considered, they often reflect inputs such as the number of hours spent on an activity, rather than the measurable result of an activity. As a result, the ability of DNR officials, the Legislature, and other interested parties to determine the success of individual fish and wildlife activities or programs is limited.

Comparisons with Other States

To compare fish and wildlife funding levels and gather information on alternative funding sources, we surveyed all 49 other states. We found that, like Wisconsin, other states fund their fish and wildlife activities at least in part through user fees. However, other states rely to a greater extent on federal aid, general fund appropriations, and other funding sources not associated with hunting and fishing license fees.

In FY 2004-05, Wisconsin ranked fifth nationally and first among seven midwestern states in funding for fish and wildlife activities, with total revenues nearly double the national average of \$49.9 million. While Wisconsin's spending is higher than most other states', residents also participate in hunting and fishing activities at a higher rate.

Although Wisconsin relies more heavily than most states on a combination of user fees and federal aid to fund fish and wildlife activities, the proportion of total revenues DNR generated from these sources declined from 98.3 percent in FY 1996-97 to 86.2 percent in FY 2004-05. Wisconsin ranked seventh among all states in reliance on user fees in FY 2004-05. In FY 1996-97, it ranked third.

In addition to user fees and federal aid, most states rely on general fund appropriations and one or more other revenue sources to support their fish and wildlife activities, such as the sale of timber, gravel, minerals, natural resources magazines, art, and advertising.

Recommendations

Our report includes recommendations for DNR to:

- renew its efforts to limit the use of generalized time accounting codes (*p. 25*); and
- enhance its project-planning efforts (*p. 37*).

The Legislative Audit Bureau is a nonpartisan legislative service agency that assists the Wisconsin Legislature in maintaining effective oversight of state operations. We audit the accounts and records of state agencies to ensure that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law, and we review and evaluate the performance of state and local agencies and programs. The results of our audits, evaluations, and reviews are submitted to the Joint Legislative Audit Committee.

Additional Information

Report 06-6 includes a response from the Department of Natural Resources.



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