

## AB 554 Talking Points:

The bill duplicates existing techniques for safeguarding the use of Fish and Wildlife license dollars.

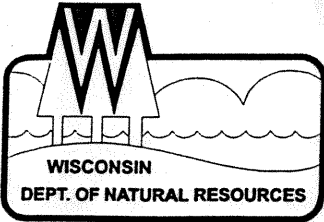
It is limited to a single very specific revenue source when concerns for administrative spending levels should be much broader and approached much more systematically.

1. The bill includes the same language that was part of the 2001-03 Biennial Budget Bill and was vetoed by the Governor.
2. It was one of three changes included in the bill intended to assure that fish and wildlife fees are used only for fish and wildlife management purposes. The other two sections remain in the statutes and were not vetoed by the Governor. They are:
  - S. 25.29 (3)—it specifies that license fees can only be spent on fish and wildlife management purposes.
  - S. 29.037 requires compliance with specific U.S. Fish and Wildlife Service codes which define fish and wildlife activities and prohibits states from spending license dollars outside of these areas.
3. The Department is audited annually by the U.S. Fish and Wildlife Service to assure that we are in compliance with its requirements. **The Governor noted these audits as part of his rationale for vetoing the budget bill provisions now included in AB554.**
4. The 1999-01 Biennial Budget Bill also included a provision, which places a **16% administrative expenditure cap** on certain DNR activities. This language was included in response to a 1998 LAB audit of Fish and Wildlife Account activities.

As a result, \$469,000 and 4.5 FTE formerly funded from the Fish and Wildlife Account were cut at the July 12, 2000 s.13.10 Joint Finance Committee Meeting—The Department was then viewed as being in compliance with the “cap” and has remained so in subsequent fiscal years.
5. To further assure accountability after the LAB audit, the Department formed a committee of interested Legislators and members of sports groups to identify the form they would most like to see information regarding Fish and Wildlife spending. As a result, for the past three years the Department has produced a **Fish and Wildlife Account Annual Report**. That report provides detailed information on all expenditures-- with more detail available upon request.
6. The Joint Committee **already** reviews all expenditures made from the Fish and Wildlife Account every two years during the Biennial Budget process. They receive staff support from the Legislative Fiscal Bureau and can currently request papers on any topic they choose.
7. The Committee has made “appropriateness” decisions in the past, such as the use of Magazine funds for tax relief and continued use of forestry funds for Stewardship debt service.

Sen. Baumgart / Pat Henderson

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July 2, 1998

On July 1<sup>st</sup>, the Legislative Audit Bureau (LAB) released its report on the "Funding of Fish and Wildlife Programs." Following, is a summary of Department of Natural Resources comments on that report:

**Comment from DNR Secretary George Meyer:** "State hunters and anglers give the Department of Natural Resources their license dollars in trust to maintain and invest in recreational opportunities and conservation programs. We take that trust very seriously. The LAB report clearly confirms we do much for hunters and anglers directly. Where the report is flawed, however, is that it classifies certain activities as NOT serving hunters and anglers directly – activities such as issuing licenses, hiring and paying the fish and wildlife managers in the field, and training and supervising them. By any accounting these activities are necessary and of benefit to sports men and women. Without these activities, it would be like having a store full of merchandise with no one to unlock the door, turn on the lights, and help the customer.

"LAB judged the professional field work of our fish and wildlife managers and wardens – such as lifting nets to assess our fish populations, trapping and banding waterfowl, or enforcing fish and game laws – to be direct service to hunters and fishers. But it relegated hours field managers spend on going to public meetings and conservation clubs, maintaining public lands, and talking to school groups to a category other than service to hunters and anglers, and we don't agree with that splitting of our fish and wildlife manager efforts. These people spend 100% of their time working for the benefit of Wisconsin's fish and wildlife resources.

"If anything, the LAB report underscores how important it is for hunters and anglers to know how we are investing their license dollars. We agree with LAB on that point and have already taken steps to better show direct benefits and products of license funded programs.

"Sportsmen and women sparked debate of DNR funding sources in recent years saying their license dollars alone could not and should not pay for all conservation programs in this state. Conservation is extremely important work to ALL Wisconsin citizens. Surveys of hunters and anglers tell us that 72% of Wisconsin citizens believe that everyone benefits from conservation programs, not just hunters and anglers. What LAB's report clearly shows is license buyers *are* shouldering a great part of the outdoor recreation and conservation programs in the state – even though those programs produce \$8 billion in general economic output, support 110,000 jobs, and bring \$400 million in General Purpose Revenues into state coffers. Of that, only \$707,700 tax dollars came back last year to DNR to support fish, wildlife and law enforcement activities. We need to review years of funding allocation decisions made by the Legislature and begin to build an equitable mechanism for supporting conservation and recreation programs in Wisconsin in order to protect the jobs, business and quality of life dependent on them."



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The following is a summary of the major findings of the report titled, "An Evaluation: Funding Fish and Wildlife Programs" published by the Wisconsin Legislative Audit Bureau on July 1, 1998. The Department of Natural Resources has concerns about some of the report's findings which are discussed below.

*LAB Finding: As has been highlighted in the report's summary and in the "teaser" on the LAB web site, approximately "40% of user fee expenditures directly benefited hunters and anglers."*

**DNR Comment: This statement is misleading and reflects what we believe are arbitrary and illogical groupings of activities in the report:**

- LAB's report recognized 40% of license money was directly supporting hunting and fishing programs in the state, but LAB also indicates an additional 35% of program expenditures benefit "hunters, anglers as well as others users of natural resources" which are defined as "multiple users." The arbitrary headline would lead one to believe that only 40% of license dollars are spent on hunters and anglers. What this really means is 40% is spent exclusively on hunting and fishing program activities and the balance of license dollars are spent for hunters and anglers but also benefit non-hunters and non-anglers.

- In examining LAB's second category of expenditures that benefit "hunters, anglers as well as other users of natural resources," we find hunters and anglers benefit greatly from activities in this category:

Expenditures allocated to this section include time field staff -- fish and wildlife managers and technicians, and wardens -- spend talking to conservation groups, giving public and school presentations, maintaining public lands through activities things like controlled burns, maintaining their equipment, and planning yearly and long range goals and activities for our state resources. These are the very activities that keep the department in touch with the hunting and fishing public and allow us to prepare for and execute population estimates and more.

Also included in this category are license and registration personnel: The folks on the phone and at the Service Centers that sell you your hunting license and answer your questions regarding permit applications and wildlife area opportunities.

Other activities relegated to this category include: Wildlife Education, Debt Service on development projects; Equipment Maintenance on program vehicles users by wildlife, fisheries and law enforcement staff.

- Moreover, in the category "Department Overhead," the report inappropriately categorizes some expenditures as overhead and not related to hunting and fishing programs: Licensing Administration: \$1.2 million or 2.4% is funded from user fees to covers the costs of staff selling licenses to hunters and anglers and, most importantly, providing direct customer contact with the hunting and angling public. Division Administration: \$2.5 million or 4.9% includes the costs of senior management in our Lands, Water and Enforcement programs, especially at the field office level.
- DNR cannot address hunter and angler programs in a vacuum. Harvestable species exist in larger ecosystems, and the department is making significant efforts to manage entire ecosystems to assure the habitat and water quality for a full range of life, including those on which our hunting and fishing are based. The arbitrary grouping of activities in the LAB report greatly underestimates hunter and angler commitment to programs to assure healthy ecosystems and wildlife populations, and in that sense does them a disservice.

*LAB Finding: The LAB report also makes a distinction between hunter and anglers and what it calls "Multiple Users."*

**DNR Comment:** We feel that hunters and anglers are distinct in one respect -- that they are consumers of the state's wildlife resources --but that they are also multiple users of the environment. The Department acknowledges the contribution of hunters and anglers to Wisconsin's natural resources. State Wildlife Areas, Natural Areas, lakes and streams provide the public with all kinds of outdoor recreation options. Acquisition of lands for wildlife areas and natural areas and support of the management activities and interpretive programs on them comes from license fees paid by hunters and anglers.

We know from our survey data that:

- 72% of all Wisconsin citizens, including hunters and anglers, believe that everyone benefits from conservation programs, not just hunters and anglers
- Hunting accounts for 6 to 58% of the activities on wildlife areas -- the rest of the activity is non-hunting in nature but would not be possible if the area didn't exist. Non hunting activities include: hiking - wildlife watching - berry picking - photography - and education
- Wildlife-related activities generate large amounts of local revenue
- 400,000 people come to Wisconsin each year to watch wildlife
- Eagle watching in Sauk City generates \$619,000 in local expenditures and Fish and Wildlife funds were key to the recovery of the eagle in Wisconsin
- Great Lakes fishing generates \$200 million for local economies
- Boaters spend \$450 million a year in excursion related purchases.

*LAB Finding: LAB asserts that the DNR has considerable flexibility and wide latitude in allocating funds and establishing priorities and cites s. 29.174 (13), Wis. Stats. as the only restriction.*

**DNR Comment:** Implied in this comment is the notion that the department is arbitrarily allocating hunting and fishing license fees to other uses. Nothing could be further from the truth. And there is nothing in the report to support such a notion. It is the Legislature that directs how license funds are allocated in the department.

Further, DNR's flexibility is certainly no greater than that delegated to other state agencies by the Governor and Legislature; in fact, we assert that our authority is more restricted than most agencies:

- First, under state statutory provisions in Chapters 16 and 20, the Department can only spend legislatively-appropriated funds for programmatic purposes that are authorized. For example, the Department cannot unilaterally move appropriated expenditure authority from Wildlife Management to Law Enforcement or any other program appropriation without approval of the Department of Administration and the Legislature.
- Second, since the Fish and Wildlife Account is part of the Conservation Fund, expenditures made by the Department are subject to restrictions cited in s. 25.29 (3), (4) and (4m), Wis. Stats. The provision under s. 25.29 (4) is especially pertinent here because it ties to appropriation language under s. 20.370, Wis. Stats., governing our agency; it states: "No money shall be expended from the conservation fund except in pursuance of an appropriation by law."
- Third, as a recipient of federal grant funds awarded by the U.S. Department of Interior for fisheries and wildlife management and law enforcement, we are required to abide by restrictions in federal regulations. The pertinent federal regulation, 50 CFR 80.3 provides, in part:

A State may participate in the Act (s) only after it has passed legislation which assents to the provision of the Acts and has passed laws for the conservation of fish and wildlife including a prohibition against a diversion of license fees paid by hunters and sport fisherman to purchases other than administration of the fish and game agency." (Emphasis not in the original.)

*LAB Finding: Wisconsin's budget for fish and wildlife activities is larger than most states, ranking sixth nationally.*

**DNR Comment:** Though Wisconsin has strong income from fish and wildlife license fees, it ranks relatively low in other funding sources. For example, hunting, fishing and wildlife watching alone contribute \$262 million to state General Purpose Revenues. They produce \$8 billion in economic output and support 110,000 jobs. A conservative estimate of GPR revenues from all natural resources based recreations approaches \$400 million. Yet, GPR funding for hunting, fishing and wildlife related activities remains very small. Of that tax money generated, the department is appropriated only \$707,700 for enforcement, fish and wildlife programs. GPR funding for these programs covers treaty related management costs, commercial fishing license retirement, habitat studies, and public access. Further, over the years as conservation and outdoor recreational mandates have been approved, the Legislature has directed that license fees cover many of them and has chosen to limit general purpose revenues for state conservation programs.

In the LAB summary it's stated that most other states use other sources of revenue (other than user fees) to support fish and wildlife programs. Examples of other sources of revenue offered in the LAB summary are boat registration fees, state lottery profits, public document recording fees, room taxes and cigarette taxes. The DNR forwarded to the Legislature in December 1997, an alternative funding report that suggested a number of possible alternative sources of revenue, with estimated amounts for each source, that could be used to support fish and wildlife programs.

An alternative funding coalition representing a broad range of public interests is also working on a report that will suggest other sources of income for the fish and wildlife accounts.

*Comments Related to LAB Summary: It has been asserted that the Legislature approved -- and sportsmen had an expectation that -- the hunting and fishing license increase in 1997 would increase state hunting and fishing programs.*

**DNR Comment:** The department requested and the Legislature approved the 1997 license increase as a measure to MAINTAIN existing programs at a level of 98 percent—actually restoring programs only to 1995 levels. The increase was aimed at helping the department to reverse four years of successively deeper cuts to wildlife and fish programs forced by a growing gap between license revenue and increasing program costs. **By agreement with the legislature and with the full knowledge and agreement of groups consulted in the hunting and angling community, the increase granted to DNR reduced the amount of fish and wildlife program cuts the DNR would have been forced to make by \$5 million, resulting in a final cut of \$1 million rather than the projected cut of \$6 million. The fee increase did not provide revenue to start any new fish and wildlife programs, except to automate its licensing system. The directive to use increase money to automate licensing came from the Legislature; progress with automating that system is on track and sportsmen will soon see benefits.**

The recent fee increases added to hunting and fishing licenses in 1997 were necessary to restore important wildlife management programs that had already been cut due to budget shortages in the fish and wildlife account. These programs include keeping the Langlade, St. Croix and Lakewood fish hatcheries open, restoring inland trout stocking, restoring public and private land management activities and filling 12 conservation warden vacancies. Other costs associated with wildlife management are less visible such as support for a real estate specialist to handle land acquisitions and a researcher to provide scientific data to wildlife and fish managers. All these activities directly benefit hunters and anglers and other users of state lands.



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## FUNDING FISH AND WILDLIFE PROGRAMS

In fiscal year (FY) 1996-97, the Department of Natural Resources spent \$81.2 million in state and federal funds, including debt service, for fish and wildlife-related programs. The majority of expenditures, \$50.4 million, were funded by hunting and fishing licenses and other user fees. Federal aid and general purpose revenue (GPR) also support fish and wildlife programs.

Hunters and anglers have long raised questions about how the license fees they pay are spent, and in recent years the Legislature and the public have become increasingly concerned about how the Department makes funding allocations. For example, the Department had intended to use hunting and fishing fees to fund a 1996 agreement that will pay an average of \$154,000 annually for 10 years to 11 individuals who agreed to retire their Lake Superior commercial fishing licenses. That decision was reversed in the face of public and legislative opposition, and the buyout is now being funded with GPR.

### **Approximately 40 Percent of User Fee Expenditures Primarily Benefit Hunters and Anglers**

The Department's accounting systems pool various user fees and do not track how revenue from individual types of licenses, such as deer hunting or fishing licenses, is spent. Nevertheless, we were able to categorize total user fee expenditures by their primary beneficiaries. We found that in FY 1996-97, \$20.0 million, or 39.7 percent of user fees, was spent for activities that primarily benefited hunters and anglers, such as game population management and habitat conservation. An additional \$17.8 million, or 35.3 percent of user fees, was spent on activities that benefited multiple users, who include but are not limited to hunters and anglers; \$981,000, or 2.0 percent, was spent on activities that did not directly support hunting or fishing opportunities, including recreational boating enforcement and endangered resources work. The remainder, \$11.6 million, or 23.0 percent of user fees, was spent on the Department's overhead costs.

### **The Department Has Substantial Flexibility in Spending Fish and Wildlife Funds**

The Department faces few statutory restrictions on the use of hunting and fishing license fees, and in FY 1996-97 its legislatively approved budget contained most of these funds in a single appropriation. Meaningful spending restrictions are placed on only 6 percent of revenue generated through hunting and fishing fees.

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Understanding the Department's spending flexibility provides useful context for assessing the level of funding currently allocated to individual activities. For example, in February 1998, the Department reported that Wisconsin ranked 49th among the 50 states in the number of conservation wardens based on the state's population. In response, the Legislature authorized 18 additional conservation warden positions, funding 17 with GPR and 1 with segregated revenue. However, even though the number of wardens in Wisconsin is lower than in other states, our survey of other states indicates that Wisconsin's budget for fish and wildlife activities is larger than those of most other states, ranking sixth nationally and first among midwestern states. When total budgets are adjusted for residential and non-residential demand, Wisconsin's budget of \$2.60 per day per hunter and per angler is comparable to national averages.

### **Spending Flexibility Has Raised Concerns About Accountability**

The extent of the Department's discretion in spending revenue generated through user fees, coupled with past legislative and public concern about its funding allocation process, has raised questions about accountability for fish and wildlife spending. Current accounting practices limit the Department's, the Legislature's, and the public's ability to obtain accurate information about which funds were used to pay for particular activities and to determine how actual expenditure amounts compare to budgets. To enhance its ability to provide the Legislature and its constituent groups with better information about how it spends fish and wildlife funds, the Department needs to improve its procedures for managing financial information and to develop procedures for reporting program expenditures in the context of progress toward meeting performance goals.

### **Some Other States Use Alternative Funding Strategies**

States rely on user fees and federal aid to fund most fish and wildlife program costs. However, Wisconsin relies on user fees to a greater extent than do most other states. Excluding large capital expenditures, user fees represent 77.2 percent of Wisconsin's FY 1997-98 fish and wildlife budget, compared to a national average of 56.1 percent.

Although most states use other revenue sources to support fish and wildlife programs, 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 types of secondary revenue are 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.

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