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☞ Details: Audit Report 06-6, An Evaluation: Fish and Wildlife Funding, Department of Natural Resources

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Record of Committee Proceedings

Joint Legislative Audit Committee

Audit Report 06-6,

An Evaluation: Fish and Wildlife Funding, Department of Natural Resources

June 20, 2006

PUBLIC HEARING HELD

Present: (9) Senators Roessler, Cowles, S. Fitzgerald, Miller and Lassa; Representatives Jeskewitz, Kaufert, Kerkman and Cullen.

Absent: (1) Representative Travis.

Appearances For

- George Meyer, Madison — Wisconsin Wildlife Federation
- Tom Thoresen, Fitchburg — Wisconsin League of Conservation Voters

Appearances Against

- None.

Appearances for Information Only

- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Conor Smyth, Madison — Legislative Audit Bureau
- Scott Hassett, Madison — Secretary, Department of Natural Resources
- Joe Polasek, Madison — Budget Director, Department of Natural Resources
- Scott Suder, Abbotsford — Representative, Wisconsin State Assembly
- Greg Dziedzic, Waterford — Sporting Heritage Inc.
- Bob Seitz, Monticello — Sporting Heritage Inc.

Registrations For

- None.

Registrations Against

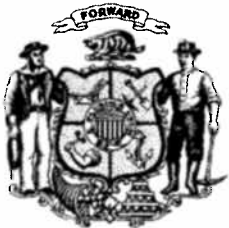
- None.



Pam Matthews
Committee Clerk



WISCONSIN STATE LEGISLATURE





Wisconsin Wildlife Federation

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AFFILIATED WITH NATIONAL WILDLIFE FEDERATION

Testimony of the Wildlife Federation on the Audit of the Fish and Wildlife Account Before the Joint Legislative Audit Committee

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Co-chair Roessler, Co-chair Jeskewitz and Members of the Joint Legislative Audit Committee:

On behalf of the one-hundred and forty-three hunting, fishing and trapping groups that comprise the Wisconsin Wildlife Federation, thank you very much for the opportunity to testify before you today on the audit of the Fish and Wildlife Account. This account is our bread and butter and we watch it very carefully.

We would like to recognize the efforts of the staff of the Legislative Audit Bureau for the highly professional, thorough and responsible job they did in completing the audit. We would also like to share our appreciation with the fair and positive press release issued by the Committee Co-chairs announcing the results of the audit. I was Secretary of DNR at the time of the last state audit of the account in 1998 and the handling of the audit and its release at that time was far different. Thank you again.

As usual there has been a flurry of press releases after the audit was released. However it is important to remember why this audit was requested. This audit was requested in the summer of 2005 at the time of the adoption of the 2005-2007 budget that contained a proposed hunting and fishing license increase. The audit was requested by legislators that were either outright opponents or reluctant supporters of the fee increase. Some of those asking for this audit never have nor will ever support an increase in hunting and fishing licenses despite the fact that most hunters, anglers and trappers willingly support license fee increases.

The major cry for the audit was: "DNR is misspending hunters and anglers money on things other than fish management, wildlife management and conservation law enforcement." This type of cry comes up from certain legislators every time there is a proposed license fee increase even though such spending would be in clear violation of both state and federal law and would result in substantial federal financial penalties if DNR ever failed to comply with the law.

This audit joins all previous state and federal audits that have shown that the state license fee dollars have been spent properly. The audit found that 97.6% of the license dollars were spent for the direct benefit of hunters, anglers and trappers in this state. Hopefully this figure will put to rest the urban myth that DNR is spending hunting and fishing dollars inappropriately. The audit also established that 29.2% of each license dollars directly benefits other recreational users in addition to hunters, anglers and trappers. This is a strong call to the legislature to support alternative sources of revenue to supplement the fish and wildlife account as do most other states.

However despite the fact that the Audit established that hunting and fishing dollars were spent properly, did not restrain DNR legislative critics from issuing press releases criticizing DNR fish and wildlife expenditures. Let's examine the new complaints:

1. One press release stated: "...hunting and fishing license and stamp fees are being used for administrative expenses. These are dollars that should have gone to enhance hunting and fishing opportunities in Wisconsin". We have shown this quote to many hunters and anglers and they just cannot believe that criticism is being made. Hunters, anglers and trappers understand that there needs to be administrative dollars paid by them to support state wildlife managers, state fish managers and state conservation wardens.
2. Another press release stated: "It is worrisome that \$1.6 million (the remaining 2.4%) of the investments made in the Fish and Wildlife Account would be spent on items of no specific benefit to hunters and anglers." What this release ignores is that the majority of the remaining of the funding indirectly benefits fish and wildlife management including the work necessary to capture the annual \$11 million in federal Sport Fish and Wildlife Restoration funds. Of course sportsmen and women approve of this type of expenditure.

Lastly, the audit illustrates that while "...fish and wildlife staff worked 30,600 hours on activities that did not primarily benefit hunters and anglers, such as endangered resources activities and work on state parks, trails and forests. However, during the same period, non-fish and wildlife staff worked 43,700 hours on activities that benefited hunters and anglers, such as habitat protection." This resulted in the net equivalent of 7.2 staff additional benefit to the fish and wildlife account.

3. Another press release criticized the DNR for spending too much on administrative purposes. State statute provides that no more than 16% of the Fish and Wildlife Account can be spent on administrative purposes. **The Fish and Wildlife Account is the only program in state government that has a statutory limit on the amount of administrative costs.** Strangely the legislature has not imposed a similar costs on its own administrative costs or on any portion of either the executive or judicial branches of government.

Despite this, the audit clearly states that the DNR is meeting this statutory cap by holding its administrative costs to 11%. The press release strangely goes on to say that although DNR is complying with the exact wording of the law, it is not complying with "legislative intent". When the legislature pursued a broader definition of administrative costs, two different governors disagreed and vetoed the broader language.

Let me share an exact analogy of this "legislative intent" argument. If someone testifying before you today indicated that they were carrying a concealed weapon, would the Capitol Police let them off the hook because the carrier of the concealed weapon argued that, despite the fact that the Governor vetoed the bill twice, the legislative intent was clear that they could carry the firearm. I suspect that argument would not sway the police or the judge.

While there may be a valid argument that there are additional administrative fish and wildlife fund costs not being accounted for, it is my judgment that the vetoed legislative definitions of administrative costs were a great overstatement of true administrative costs and that if there were an accurate definition of administrative costs, it would still fall within the 16% statutory cap.

4. Another press release indicated that the DNR was overspending the balance of the Fish and Wildlife Account. The release specifically stated that: "The agency has depleted a once flush Fish and Wildlife account---draining the bank, like a kid in a candy store, of almost 28 million dollars in five years."

These statements ignore what is know by the Legislative Fiscal Bureau and hunters and anglers in the state. For the last forty years, the Legislature and the DNR have agreed on hunting and fishing license fees that built up a surplus in the Fish and Wildlife account and then spent down the balance in the following four to six years. Setting fees in this manner avoided the need to raise hunting and

fishing license fees on an annual or biennial basis to keep the programs continuing at a maintenance level of expenditures. Also by using this financing method, the legislature did not have to put itself in the position of having to either raise fees or reduce popular hunting, fishing or conservation law enforcement programs on a more frequent basis.

5. The last press release-related complaint was that Wisconsin was the fifth highest fish and wildlife account spending state in the country.

However the press release ignores the audit statement that; "its residents also participate in hunting and fishing activities at a higher rate....Wisconsin ranked fifth nationally in the number of individual hunting license holders in 2004 and fourth in the number of individual fishing license holders. The press release also failed to mention that Wisconsin hunters, anglers and trappers get outstanding hunting and fishing benefits for their dollar, better overall than anywhere in the lower 48 states.

Wisconsin ranks number one in the harvest of white-tailed deer, muskrat and raccoon and in the top five states in the country for harvest of black bear, wild turkey, ruffed grouse, woodcock, wood duck, bufflehead, hooded merganser, greater scaup, long-tailed duck, gallinule, total furbearers, otter, fisher, coyote, red fox, mink, beaver, striped skunk, opossum and weasels. Wisconsin ranks in the top ten states for Canada geese, total ducks, mallard, blue-winged teal, green-winged teal, pintail, canvasback, redder lesser scaup, goldeneye, snipe, rails and gallinule.

In 2001, Wisconsin had 3,719,000 angling days by non-residents, second only to Florida. Overall Wisconsin had 22,042,000 angling days by residents and nonresidents, number six in the country. Wisconsin has 1.41 million anglers, again sixth in the country. The economic value of sport fishing in Wisconsin was \$2.32 billion (tied for fifth in the nations) that supported 26,200 jobs.

While Louisiana boasts that it is the Sportsman's Paradise on its license plate, if you look at the full range of hunting, fishing and trapping, Wisconsin should change its license plate to read "America's Dairyland and Sportsman's Paradise".

Wisconsin hunters, anglers and trappers are getting the biggest bang for their buck.

However the audit does show there is a major funding problem facing us today. Wisconsin relies too heavily on hunting, fishing and

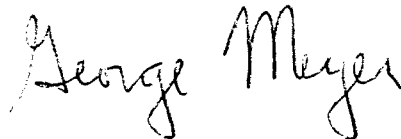
trapping license dollars to support the management of fish and wildlife in this state. Despite the fact that wildlife play a critical role in the state's general economy and that many resident and non-residents are engaged in wildlife viewing and enjoyment, hunters, anglers and trappers are picking up the lion's share of the burden of managing wildlife.

Wisconsin hunters, anglers and trappers pick up 20% more of the costs of managing wildlife in this state than the national average. We respectfully request the you as legislators look at what other states have done including what is being done in our neighboring State of Minnesota to have non-hunters, anglers and trappers to pick up a larger share of the burden of managing Wisconsin's outstanding wildlife legacy.

Thank you very much for the opportunity to testify here today on behalf of the Wisconsin Wildlife Federation.

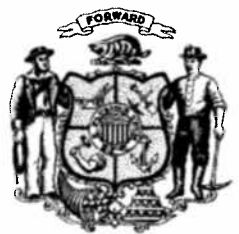
Submitted by George Meyer
Executive Director

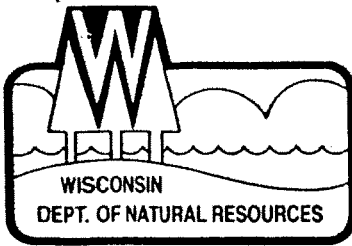
June 19, 2006

A handwritten signature in cursive script that reads "George Meyer". The signature is written in black ink and is positioned below the typed name and title.



WISCONSIN STATE LEGISLATURE





State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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Testimony of DNR Secretary Scott Hassett
Legislative Audit Committee
Audit of the Fish and Wildlife Account of the Conservation Fund
June 20, 2006

Thank you Senator Roessler, Representative Jeskewitz and committee members for the opportunity to comment on the audit report addressing the Fish and Wildlife Account of the Conservation Fund. I believe the audit helps both the legislative and the public's understanding of the fish and wildlife programs. I want sportsmen and women in this state to know that we are investing license money wisely, and I feel the audit confirms that we are responsible stewards of their resources.

I would first take a minute to speak to the wonderful opportunities to hunt and fish in Wisconsin, and to comment on how both the DNR's and the Legislature's commitment to these areas has been good not only for the people of Wisconsin, but also for our economy. I will then discuss a few of the topical areas addressed in the audit and finish by addressing the recommendations made by the Legislative Audit Bureau.

I feel the audit was thoughtful and well done, and would like to thank the Legislative Audit Bureau and their staff for their work. I am pleased that the audit reaffirmed that license money produces a variety of opportunities for hunters and anglers in Wisconsin, and has created one of the best places to hunt and fish in the nation:

- Wisconsin ranks fifth nationally in individual hunting license holders and fourth in the number of individual fishing license holders.
- 1.4 million anglers enjoy 22 million days of fishing in Wisconsin and catch 69 million fish, 31 million of them keepers.
- 3/4 of a million hunters enjoy 9 million days of hunting in Wisconsin hunting 55 different species. Wisconsin's habitats support an annual harvest of more than 55,000 turkeys, a species DNR reintroduced a few short decades ago.
- Hunting and fishing combined add \$4 billion in economic activity to our economy, support 35,000 jobs and generate \$142 million in state tax revenues annually
- Wisconsin's habitats support an annual harvest of more than 400,000 white-tailed deer, consistently in the top two or three harvests in the nation.

- DNR manages more than 1.5 million acres for hunting and outdoor recreation. Annually DNR also acquires, builds and maintains boat landings for anglers.

The audit also provides important findings in a number of areas:

- 97.6% of fish and wildlife user fee expenditures benefited hunters and anglers in 2004-05.
- Overall administrative spending, at 11.1% was below the statutorily established 16% cap. Budget actions have cut expenditures by \$1.5 million - from \$7.9 million to \$6.4 million over seven years.
- The Audit found that DNR staff funded by the Fish and Wildlife Account grew by only 3.9 FTE in the seven years between audits.
- \$21.0 million in non-license revenues contributed toward activities that primarily benefit hunters and anglers.
- Wisconsin relies more heavily on user fees to fund fish and wildlife activities than other states, where state General Fund revenues and alternate revenue sources fund a larger proportion of these expenditures.
- DNR adequately accounts for expenditures of gifts and donations and restricted funds, such as stamps, were spent consistent with statutory requirements.

Clarification of Certain Topical Areas In the Audit

There are a few topical areas within the audit on which I would like to take this opportunity to provide additional information:

Direct benefits to hunters and anglers - I would like to address findings about the 2.4% portion of spending that did not "directly benefit hunters and anglers." I would like to clarify that a portion of this is required to leverage federal fish and wildlife funding. The remainder of spending was on things like cooperative efforts with Forestry to fight forest fires, endangered resources surveys, and habitat work on State Natural Areas, which are open for hunting.

Accounting for Administrative costs - I would also like to address concerns I've heard about administrative expenses being too high, even though they fall well below the statutory cap. I have heard the concerns about too much overhead, and have SIGNIFICANTLY reduced those costs in recent years. Administrative expenses were at a high of 20.6% in 1997, and I am proud to report that I have been able to contain those expenses to 11% in my tenure as DNR Secretary. ~~Governors Doyle, McCallum and Thompson have all vetoed attempts to change the definition of "administrative spending" in recent years, because they do not provide a realistic representation of what constitutes administrative expenses, and would ultimately reduce services to the customers we serve.~~

The proposal would have added "Bureau Administration and Licensing Administration" to the definition of administrative expense. The function of these positions, however,

these positions are not merely administrative. These are direct program supervisors in the fish, wildlife and enforcement bureaus, including warden field supervisors, supervisors of field wildlife biologists and technicians, and similar supervisors in fisheries. These are all working supervisors and clearly not support or administrative in nature. These expenditures have even been categorized by the audit as primarily benefiting hunters and anglers. The proposed definition would also add costs associated with delivering licenses and permits to hunters and anglers. These costs include basic operation of the Automated License Issuance System (ALIS). This system is used to gather information which is directly used in all of our enforcement and resource management activities. Staff in this program also works directly with hunters and anglers to answer questions and provide needed information ranging from explaining regulations to helping them locate information on public hunting grounds. Staff responded to more than 58,025 telephone calls throughout the month of November with 20,065 calls received the week prior to the 9-day deer season. These expenditures have also been categorized by the audit as primarily benefiting hunters and anglers.

To categorize these positions as merely administrative does not represent the hands on field work, customer service, and interaction with hunters and anglers they have on a daily basis. Governor Thompson said in his veto of this measure in 1999 Wisconsin Act 6:

"I am partially vetoing this section to remove costs associated with bureau administration and the issuance of licenses and other approvals from the 16% spending limitation. I am removing these costs from the limitation because they are integral to the management of the fish and wildlife resources of the state. Warden and field staff supervisors improve resource management by coordinating fieldwork and providing accountability. Limiting spending on license and approval issuance would reduce services provided to residents and visitors who hunt and fish in Wisconsin."

Fish and Wildlife Account Balance - One last issue I would like to address is the balance in the Fish and Wildlife Account. The audit describes the balance declining from \$28.3 million in 2000-01 to \$954,000 in 2004-05.

A variety of factors contributed to establishing this balance and to the drawdown of the balance. First, the \$28.3 million balance was unnaturally high because of a one-time bump with the start of the ALIS system, a fee increase in 1997 and the start of the \$5 million transfer of Tribal Gaming Funds to the Account. Second, the balance was quickly drawn down by \$5 million annually in costs to combat CWD, a drop in investment income, an increase in ALIS transaction fee paid to vendors, and a conversion of 17 warden positions from GPR to the fish and wildlife account.

Legislative action also contributed to this balance decrease. While very much appreciated, final Legislative action on the 2004 fish and wildlife fee package drew down balances as a way of minimizing the level of fee increase needed. At that time,

legislators understandably did not want to approve a full fee increase while a balance remained in the account. In fact, the Legislative Fiscal Bureau summary of the 2003-05 budget projected a fiscal year 2005 closing balance of \$190,000, which we have been able to exceed.

Report Recommendations

I agree with the recommendations included in the report and offer the following comments on each:

1. In regard to the use of basic program services as a time reporting category, the audit indicates that the percentage of staff time coded to the basic program services category has declined from 22% in 1998 to 14% in 2005. The Department maintains its goal of reducing this category to 10% and will continue efforts toward achieving this goal. We can report to the Committee by January 1, 2007 with the results of our efforts in this regard. However it may be more useful to provide this report by July 31, 2007 to allow one full year's experience for reporting purposes.
2. In regards to the use of project planning, project budgets and project outcomes, each of our Fish and Wildlife bureaus currently have project/workplanning systems in place which annually distribute resources for specific priority projects. We track those expenditures through our accounting system.

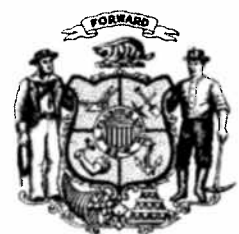
However, we understand the concerns of the Legislative Audit Bureau and would like to work with LAB to gain a better understanding of their experiences with effective systems currently in place in other state agencies, and build an improved system. We will report to the Committee by January 1, 2007 with the results of our efforts in this regard.

Once again, thank you for this opportunity to comment on the final audit draft. My compliments to Jan and her Legislative Audit Bureau staff for their conscientiousness and level of effort on this audit.

*Genuine
Respect
J. Seg*



WISCONSIN STATE LEGISLATURE



Fish and Wildlife Audit
Joint Legislative Audit Committee
Tuesday, June 20, 2006

Good Morning! Thank you Chairwoman Roessler, Chairwoman Jeskewitz and Committee members; before I begin my testimony on Audit Report 06-06, which evaluated Fish and Wildlife Funding at the Department of Natural Resources, I want to take a moment to thank you for authorizing this audit and for giving me the opportunity to speak about the audit today.

I believe the information included in the audit validates concerns raised by anglers, hunters, and Legislators regarding the use of Fish and Wildlife fund dollars.

- 1) Agency spends beyond its means. Account has been depleted in five years.
 - 2000-01 Ending Balance \$28.3 Million
 - 2001-02 Ending Balance \$20.6 Million
 - 2002-03 Ending Balance \$ 6.7 Million
 - 2003-04 Ending Balance \$ 1.4 Million
 - 2004-05 Ending Balance \$ 1.0 Million

AND, as noted on page 7 – paragraph one – The auditor rejected the DNR’s theory of “ebb and flow funding” and noted that *“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.”*

A conversation of the overspending would not be complete without including comment on the CWD program, which the agency often points to as a reason for its copious expenditures of Fish and Wildlife resources.

- In fiscal year 2004-05, the DNR spent 5.3 Million dollars on its CWD program of that nearly 3.5 Million was funded through user fees.

This is a concern since earlier this year Colorado officials announced the state's culling program was being eliminated saying it didn't have "*any significant effect on the disease in the wild.*"

The hunters of Wisconsin have been extremely co-operative and patient in working with the DNR on the CWD issue. These dollars were entrusted to the DNR in an effort to combat the spread of this disease.

However, agency officials have never presented substantive goals of the program. Hence, I believe that should the audit requested by my colleagues, Rep. Freese and Senator Schultz find the program to be ineffective or inefficient then the time has come to eliminate it.

2) Despite the Legislatures best intentions, the agency continues to spend too much on Administration.

- Two consecutive Legislatures defined "Administration" to include: Departmental, Division, Bureau, Licensing administration and to cap that amount at 16% of users' fees.

- When vetoed by Governor's McCallum and Doyle – Bureau and Licensing administration were removed---- YET, the cap was left at 16%!!!
- Since 1999 Wisconsin Act 9 was vetoed the agency has barely reduced administrative expenses. INSTEAD it has used the veto and its language as a smokescreen to shuffle expenditures from the Department and Division to the Bureau and Licensing.
- Since then, the expenditures for Licensing and Bureau Administration have increased more than 500%.
- Using the Legislature's definition of Administrative expenses, the DNR now spends 23.5 cents of every dollar from anglers and hunters user fees for administrative expenses.
- The old saying "the proof is in the pudding" could be changed to say the proof is right here in the audit. The agency has obviously shuffled more and more administrative and support posts to the Bureau and licensing areas. According to the audit, there are nearly 65 staff positions (40 of which are paid through Fish and Wildlife funds) at the Bureau level for jobs, such as, Auto Technicians, accountants, and Information technologists.
- It is time that the DNR recognize and respect Legislative intent and authority.
- The agency and its defenders would answer that statutory authority is the law. And, while that is technically correct, I have a hard time explaining to the average hunter or angler that in **2004-05 the DNR spent 5.5 MILLION DOLLARS of those hunters' and anglers' user fees on Licensing administration.**

3.) Staffing concerns

- This audit clearly shows that the DNR and its expenditures from the Fish and Wildlife account are *“People heavy and project poor.”*
- According to the audit, there are currently 874 FTEs authorized for Fish and Wildlife activities with 789 being funded by user fees.
- In an effort to explain away these numbers, the Secretary points to the 800 jobs that he believes the agency has eliminated. However, we would question that number. In following up with the audit bureau, we were told the agency has a “large” number of LTE’s. So, we asked what is a large number?

649 LTEs assigned to Fish and Wildlife activities

I would tend to believe the other 150 positions the Secretary claims to have eliminated may be somewhere else in the agency.

- I join with the auditors in expressing concern with time reporting methods utilized by the agency. The process is too loose with too much freedom to report time as basic program services. This makes the system ripe for criticism since there is not enough accountability

regarding use of time. Especially when the audit indicates, “Detailed information about funding sources and staffing costs is not readily available from DNR’s records.” The audit notes that the agencies accounting methods are complex and can limit its own, the Legislature’s, and the public’s ability to readily obtain complete information

And, quoting, “Specifically, we found the DNR makes more year-end accounting adjustments to finalize its funding sources for various activities than other state agencies do. Because of this practice, some activities that should be supported by non-fish and wildlife revenue sources could be charged to the Fish and Wildlife Account when funding is otherwise insufficient.”

4) I believe the preceding statement makes it abundantly clear that the audit’s finding of project planning by the agency was scathing.

- The agency does not include clear timelines for project completions in planning documents
- The agency does not compare final costs with initial budgets
- The agency does not tie project outcomes to specific goals and objectives

I would dispute the Secretary’s spin that the DNR agency is run like a good corporation. I believe any corporation with that lack of planning would be bankrupt.

5) Information taken from the 1997 audit and this audit, indicate that the sale of fishing licenses has decreased nearly 20.5% in the last nineteen years.

- 1985-86 Fishing License Sales = 1.72 million
- 1995-96 Fishing License Sales = 1.52 million
- 2004-05 Fishing License Sales = 1.38 million

- At the rate this agency is going, in fifty years, it will have chased away all of the state's sportsmen and women. This cannot be allowed to continue.

- It is certainly unthinkable that we as a Legislature will continue to increase funding when the agency is clearly serving fewer and fewer Wisconsin Taxpayers and Tourists.

6) Fish and wildlife expenditures totaling 30.4% from all funding sources was spent on items most generally defined as Capital items, including land acquisition, DNR facilities, etc.

- That amounts to more than 36.5 million dollars in fiscal year 2004-05.

- By any standard, that is a sizeable sum of money, which brings to mind the question: Is it benefiting the average hunter and/or angler?

- The question of exactly how many acres the DNR holds has been around for almost as long as the chicken and the egg? The two queries have much in common; no one seems able or willing to answer either.
- Perhaps that is because the number is too formidable to release. Perhaps it is because it would draw attention to the issue of how much of the land is the average hunter/angler allowed to use?
- I believe those are logical questions and some of the ones, which we along with every sportsman, sportswoman, and Wisconsin taxpayer deserve to have answered.

In conclusion, Madame Chairwomen, in light of the number of unanswered questions this audit has drawn attention to I would respectfully request that you authorize the Legislative Audit Bureau to conduct a follow-up audit. I believe the scope of the follow-up audit should include, but not necessarily be limited to:

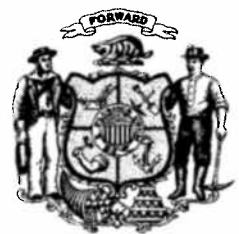
- 1) A total accounting of the number of hours worked by the 649 LTEs assigned to Fish and Wildlife. I'd ask that this accounting also include: where each position is located, what specific tasks are performed by each LTE –and, I do mean tasks. The current audit and our follow up descriptions with Audit Bureau personnel have made it abundantly clear that job descriptions and time coding will not clearly nor accurately provide the factual information.

- 2) A position analysis of each of the 874 FTE positions assigned to Fish and Wildlife, including where each position is located and, again the specific tasks each performs.
- 3) The total number of acres and facilities held by the agency. This should include complete descriptions, including fair market value, how the properties may be utilized by the general public, and if hunting and fishing is allowed at the site. If hunting and fishing is allowed, I'd ask that any restriction on such usage be included.

Again, I want to thank the Committee for authorizing the audit, as well as for giving me the opportunity to speak to it today. Additionally, it should be noted that Auditor Janice Mueller and her staff, especially Deputy State Auditor Paul Stuiber (pronounced steeber) were extremely generous with their time, as well as, prompt and professional with follow-up information, which I requested prior to today. Their exemplary service could well be the model for all state agencies and I thank them.



WISCONSIN STATE LEGISLATURE



Testimony in Support of the Legislative Audit Bureau Audit Report of the Fish and Wildlife Account

**By: Thomas Thoresen, President of the Board, Wisconsin League of
Conservation Voters**

Date: June 20, 2006

Thank you co-chairs of the LAB Committee and Committee members. My name is Tom Thoresen, and I am Board President of the Wisconsin League of Conservation Voters. I retired a couple of years ago after 30 years of state service, 26 of which was in conservation law enforcement and four and a half years working in the legislature, mostly in the Assembly Chief Clerk's Office. When I retired from state service, I was the Deputy Chief Conservation Warden so I am keenly aware of many of the issues highlighted in the report. First and foremost, I'd like to thank the Legislative Audit Bureau staff for your diligent and thoughtful work on the audit and objective findings of account expenditures. Based on the report findings, I'd like to share how some politicians have been using political rhetoric for political gain instead of thinking about our natural resources and future generations. Lastly, I'd like to offer suggestions on how the report can be used to work together for conservation and our children and grandchildren.

In reading the full report, you see that 97.6% of all license money went to programs that benefit hunting, fishing and trapping. That the other 2.4% or \$1.6 million spent on endangered resources brought back \$17.5 million from Federal funds. That DNR administrative cost were low around 11.1% . That in comparison to other States, Wisconsin ranked 5th nationally and first among the Midwest states in funding for fish and wildlife activities. LAB recommended that some general time accounting and project planning efforts could be clarified. The bottom-line, the report showed DNR was appropriately using funds. The report was done in an objective, non-partisan manner and the staff at the Legislative Audit Bureau should be thanked and commended for their efforts.

When I read some legislative responses and press releases to the audit, it reminded me of how far some politicians have fallen and based on recent Wisconsin surveys, why so many citizens feel legislators are not representing them. Let me explain from first hand experience. 3 years ago

when a hunting and fishing license increase was proposed in Gov. Doyle's budget because fund balances were low and fees had not been raised in 7 years, I saw partisan politics trump the wishes of conservationists. In particular, the vast majority of clubs and organizations supported the fee increases including the proposed \$32 deer license. At that time both Representative Johnsrud and Gunderson told me they knew the situation in the Fish and Wildlife Account and proposed a needed compromise of \$25 for Resident Deer License but they were shot down by their so called leadership in their party. If their compromise had passed 3 years ago, there would be a substantial balance in the Fish and Wildlife Account today. Furthermore, I specifically recall at the time, Rep. Suder and Rep. Montgomery put out press releases stating that they were not going to vote for any license increases because there was one warden supervisor for every 4 wardens and this was gross mismanagement within DNR and that they were calling for a legislative audit. It would only take a few minutes for a responsible legislator to make some phone calls, do a little math or as you can read in the audit, find that the real ratio of warden supervisors to wardens is closer to 1 to 8. It was a political smokescreen that when I tracked down where it was coming from, and explained this hurt both DNR and legislators (and really conservation), Steve Bass's response was essentially "that's politics". Meanwhile hunters and anglers had program service reductions and account balances drawn down.

Gubernatorial candidate Mark Green recently claimed the report backs up his proposal to split the DNR into two agencies, one for outdoor recreation and one for environmental quality. However, the report actually shows the opposite- programs that Green would put into environmental quality directly benefit hunters and anglers, a strong indication that the Department of natural resources must remain one agency using science to protect recreational opportunities. Read the report. Look at the facts.

Representative Lasee recently claimed in a WSJ guest editorial that high "fees" may be the culprit to people dropping out of hunting and fishing. Data clearly suggests otherwise. 2004 National Shooting Sports Foundation data shows license fees as 3.1% of hunters expenditures, 17% of their funds are spent on equipment, 32% to gain access to hunting locations and 48% on travel, food and lodging. Lasee is right about the concern on the economic impact the loss of sporting opportunities will have on the economy but the #1 concern should be the loss of access to places to hunt and fish. Hunting is a rural phenomenon. People need a place to go. This is why conservationist

understand why the Stewardship Program is so important to recreational opportunities, protection of our natural resources and special places for future generations. Don't cut Stewardship if you want to think about future generations and natural resources and you want to support hunting and fishing along with the State's economy. Warren Knowles, Gaylord Nelson and Tommy Thompson understood these important concepts and went about achieving them in a bi-partisan, statesmanship approach.

Issues involving our natural resources and conservation are often very complex and should not be reduced to simple sound bites by politicians or bureaucrats that sound good but doesn't really help solve the issue. In fact about 100 years ago, President Teddy Roosevelt correctly stated "The conservation of our natural resources is the fundamental problem. Unless we solve that problem, it avails us to solve all others." Roosevelt also called for honesty and integrity in government and this audit shows that DNR is properly spending the money.

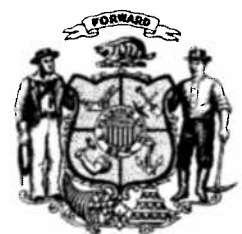
Wisconsin has a great conservation legacy with many conservation leaders who thought ahead about investing in our natural resources and future generations. These leaders worked together in either a non-partisan or with a bi-partisan approach. The Audit calls attention that we need to proactively think ahead now more than ever. We need to invest in the future in ways that pays multiple returns on our investment. We need to think about how Wisconsin citizens fund conservation efforts through user fees and other funding sources that benefit future generations. There are other funding sources to consider and public involvement and understanding is crucial.

I was greatly heartened by the statesmen like leadership Senator Rob Cowles and Rep. Montgomery showed on the recently passed Energy Bill. Here is an example of leaders working together to represent the interests of many. It would make sense for politicians and citizens to work together and focus on things that unite instead of those things that divide. There is much to unite us, especially passing on our conservation legacy to future generations.

Thank you.



WISCONSIN STATE LEGISLATURE



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.

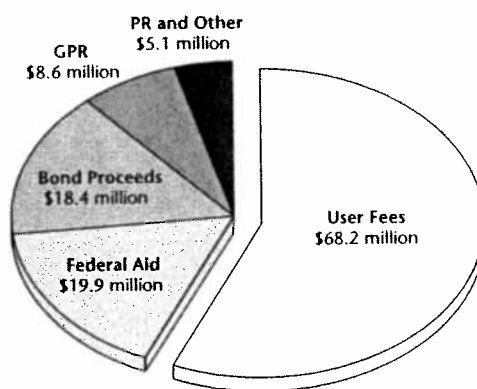
Hunters and anglers did not directly benefit from \$1.6 million, or 2.4 percent, of user fee expenditures.

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).

Additional Information

For a copy of report 06-6, which includes a response from the Department of Natural Resources, call (608) 266-2818 or visit our Web site:



www.legis.state.wi.us/lab

Address questions regarding this report to:

Paul Stuiber
(608) 266-2818

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.

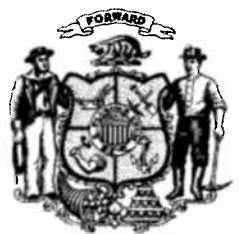
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State Auditor



WISCONSIN STATE LEGISLATURE



Fish and Wildlife Funding

Legislative Audit Bureau
June 2006

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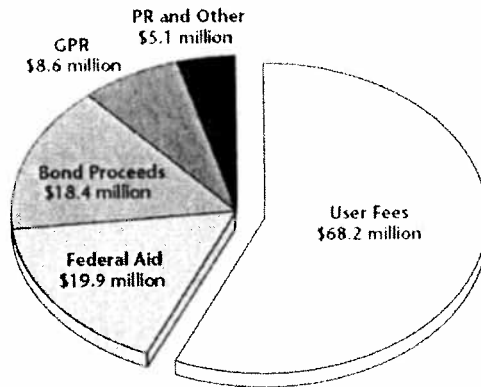
Overview

- ◆ DNR's fish and wildlife activities are supported by staff in 20 different organizational units under 41 separate appropriations
- ◆ Most revenues, including user fees, are deposited to the Fish and Wildlife Account of the Conservation Fund
- ◆ DNR spent a total of \$120.2 million for fish and wildlife activities in FY 2004-05

2

Fish and Wildlife Funding Sources

Expenditures by Funding Source
FY 2004-05



3

Staffing

- ◆ DNR was authorized 874.4 FTE staff for fish and wildlife activities in FY 2004-05
- ◆ Of these, 789.7 were authorized from the Fish and Wildlife Account, an increase of 3.9 FTE staff since FY 1996-97
- ◆ As of June 2005, DNR held 90.4 FTE positions vacant

4

User Fee Expenditures

- ◆ In FY 2004-05, DNR spent \$68.2 million in user fees
- ◆ 97.6 percent of these expenditures were for activities that benefited hunters and anglers:
 - 57.3 percent primarily benefited hunters and anglers
 - 29.2 percent benefited hunters, anglers, and other users
 - 11.1 percent was for administrative costs
- ◆ 2.4 percent did not directly benefit hunters and anglers

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Accounting for Staff Time

- ◆ We reviewed FY 2004-05 time records for all DNR employees
- ◆ Fish and wildlife staff worked 30,600 hours on activities that did not directly benefit hunters and anglers
- ◆ Non-fish and wildlife staff worked 43,700 hours on activities benefiting hunters and anglers
- ◆ As a result, hunters and anglers benefited from the work of 7.2 full-time equivalent staff not funded by user fees

6

Administrative Costs

- ◆ 1999 Wisconsin Act 9 limited DNR's fish and wildlife administrative expenditures to 16.0 percent of annual expenditures
- ◆ In FY 2004-05, administrative expenditures were 11.1 percent of annual expenditures

*Dept Divs
Bureau also*

*Dept
: Div
Admin*

*as defined
by statute*

7

Administrative Cost Comparison

Alternative Calculation of Administrative Costs¹

	FY 1996-97	FY 2004-05	Percentage Change
Department Administration	\$ 7,903,200	\$ 6,447,500	(18.4%)
Licensing Administration	1,213,100	5,454,600	349.6
Bureau Administration	1,212,800	3,047,700	151.3
Division Administration	2,500,300	1,079,500	(56.8)
Total	\$12,829,400	\$16,029,300	24.9
Total User Fee Expenditures	\$50,426,200	\$68,163,900	35.2
Percentage of User Fee Expenditures Funding Administrative Costs	25.4%	23.5%	

¹ Presents administrative costs using the definition proposed by the Legislature in 1999 Wisconsin Act 9 and 2003 Assembly Bill 4, but not enacted.

*→ growth
would have
ended in
deficit*

8

Fish and Wildlife Account Activity

Fish and Wildlife Account Activity

Fiscal Year	Beginning Balance	Revenues	Expenditures	Ending Balance	Percentage Change
2000-01	\$29,575,300	\$82,060,500	\$83,294,700	\$28,341,100	-
2001-02	28,341,100	78,735,100	86,516,400	20,559,800	(27.5%)
2002-03 ¹	21,257,900	77,942,600	92,508,300	6,692,200	(67.5)
2003-04	6,692,200	77,182,700	82,441,300	1,433,600	(78.6)
2004-05	1,407,100	83,762,700	84,215,200	954,600	(33.4)

¹ Beginning balance reflects transfer of certain appropriations to the Endangered Resources Account.

9

-1647
2006

Accounting for Gifts and Grants

- ◆ Donations of more than \$1,000 are reviewed by DNR staff who send the donors letters specifying how the funds will be spent
- ◆ Use of donations of more than \$5,000 are approved by the Natural Resources Board
- ◆ We found no instances in which donations were spent inappropriately

10

Comparison with Other States

- ◆ Wisconsin ranked fifth nationally in funding for fish and wildlife activities in FY 2004-05
- ◆ Wisconsin ranked seventh among all states in reliance on user fees in FY 2004-05

Fish & Wildlife

— national trend lower level of youth hunters

— CWD strain on F&W account

• \$3.5 m in FY 04-05 to battle

— detailed Fish & Wildlife

1-1-07 how much time spent on
basic program

22% not recorded to any

→ now 14%

target is 10%

could not quant. \$10 m b/c in

budget catch all category

cost on adm. costs

2 areas recommended

be included as

licensing a bureau

→ if include these

\$4.3 m infusion of cash

now exp. outpaced / exceeded rev.

definition of adm. + hunters + anglers bank

DNR adm costs -

B Ch. welfare

Ch publicly said - bureau costs being included

23.5% - identify why

Dept annual plan - on time + budget

entire population - DNR
education & enforcement
no roadmap

miller - LTE staffing

Sec. Hassett

5hr in # hunting
4hr in # ind. fishing

3.9 FTE increase

CR - 2 reporting times

- younger hunters
 - urbanist.
 - bubble baby becomes
some simply #15
- shift in law enforcement
to education

archery ins

30,000 kids a yr from
hunting educ

4,000 vel. instructors

4,000 kids

- shooting archery
- shooting beebeeguns
- free fish weekend
- learn

14,000 grant

- "no child left inside"
- "ZEC" env. educ for kids

Miller:

LTE positions

line officers

ask for 60% of
inc. in lic. fee

Keelett

Sporting heritage supports Sudek position

possibly refocus efforts

NK magazine about butterflies + wildflowers

\$10m -

fully support myt audit

is purchasing w/
Sportsman &
hunting on Alletat

lowered to 57%

57% win in the field

need for more people in the field

adm costs 10 high - 25%

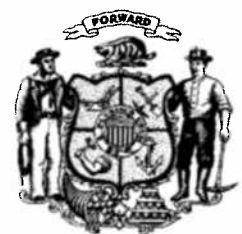
LAB NR adm costs all of those 4 things

30.4% want to develop wetlands - land being purchased

DNR map
+ 10,000 land
being purchased



WISCONSIN STATE LEGISLATURE



Bureaus elsewhere not mig
in overhead

3.4 m \$

- Proj Proposals
linked to results

- X spent on basic
program services

~~14 still above
target of 10.~~

Could not quantify
EXP 2004-05
any further.

ad

Connor. Smith

Def. adm

which Smiths.

reports in angles