



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #512

Wildlife Damage Program (DNR -- Fish, Wildlife, and Recreation)

[LFB 2005-07 Budget Summary: Page 352, #1]

CURRENT LAW

The wildlife damage claims and abatement program provides landowners in participating counties with financial assistance to implement projects to reduce crop damage and partially reimburse losses incurred from crop damage. The programs are funded by two dedicated revenue sources within the fish and wildlife account of the conservation fund: (a) revenue from a \$1 surcharge on most resident and nonresident hunting licenses and a \$2 surcharge on resident and nonresident conservation patron licenses; and (b) revenue from the \$12 resident (\$20 nonresident) bonus deer permit. Together, these revenue sources generated over \$3.47 million for the wildlife damage and related programs in 2003-04.

GOVERNOR

Increase the wildlife damage surcharge currently applied to most hunting licenses from \$1 per license to \$2 per license. Increase the surcharge on conservation patron licenses from \$2 to \$4. The surcharge is currently added to the cost of resident and nonresident deer, elk, Class A and Class B bear, archer, wild turkey, small game, and sports licenses, as well as to nonresident five-day small game and furbearing animal licenses.

DISCUSSION POINTS

1. The administration estimates that the increase in the wildlife damage surcharge would generate additional revenues totaling \$460,600 in 2005-06 and \$1,136,800 in 2006-07 to support wildlife damage program activities, the venison donation program, and certain DNR expenditures related to the control of Chronic Wasting Disease in the wild deer herd. However,

based on updated license and bonus deer permit sales information and based on enactment of the bill by mid-August, 2005, it appears likely that the provision could generate an additional \$1,068,200 in 2005-06 and \$1,047,100 in 2006-07 for an approximately \$0.5 million increase from the administration's initial estimates included in AB 100.

2. Previous to 1999, revenue from the wildlife damage surcharge was statutorily directed to be expended on three programs related to wildlife damage: (a) the wildlife damage claims and abatement program; (b) control and removal of wild animals (including 2.0 positions to administer the various wildlife damage programs); and (c) the urban wildlife damage abatement grant program. The 1999-01 biennial budget included a provision that allowed DNR to use funds from the wildlife damage program to pay participating counties for the processing of venison that was donated to food pantries or charitable organizations during a deer herd control season established by the DNR to abate deer damage. These costs are to be paid after other wildlife damage program expenditures, and DNR is directed to prorate payments if available funding is not adequate to fully reimburse counties. Under 2001 Act 16 (the 2001-03 biennial budget), an option was created to allow any applicant for a deer, bear, or small game hunting license to elect to make a voluntary contribution of at least \$1 to be used for the venison processing and donation program. Monies received are used to reimburse counties for the cost of processing donated venison (including administrative costs incurred). If voluntary contributions are insufficient to reimburse county costs, funds may be made available for county reimbursement from the wildlife damage program (and prorated as necessary). Voluntary donations for this purpose totaled \$19,700 in 2003-04, while donation program costs are estimated to total \$555,900 for calendar year 2004.

3. One-time funding of \$3,344,000 in 2002-03 was provided from the available balance of the wildlife damage program for efforts relating to CWD management in the state deer herd. An additional \$1,000,000 was provided for CWD management in 2002-03 from the recycling fund under provisions of 2001 Act 108. Funds were provided for herd monitoring and sampling, law enforcement and wildlife management staff costs, equipment, supplies, travel, education efforts, limited-term employees and overtime costs as well as for a veterinarian, public information officer, and data manager position. In addition, DNR was directed to provide funds to the Wisconsin veterinary diagnostic lab (WVDL) for CWD testing and could provide DATCP with funds to buy-out captive deer herds for CWD testing, support DATCP CWD-related staff, and publicize CWD control efforts to deer farmers and processors. Under 2003 Act 33, \$1,954,700 was provided in 2003-04 (\$1,594,700 from the wildlife damage revenue appropriation and \$360,000 FED) and \$1,465,800 was provided beginning in 2004-05 (also from wildlife damage). These funds were used to support limited-term employees and overtime costs for staff, for testing and disposal costs, increased law enforcement efforts related to CWD, and public outreach and education programs. Under the bill, \$1,476,600 is provided in each year for CWD control efforts from the wildlife damage program.

4. Under the wildlife damage program, DNR assists participating counties in developing and reviewing administrative plans for managing wildlife damage issues. The state fully funds DNR approved county administrative costs. Approved abatement projects are eligible for state funding of up to 75% of costs, with the remaining share paid by the landowner. Landowners in

counties that administer both the abatement and damage claims programs are eligible to file claims for damage to agricultural crops, harvested crops, orchard trees, nursery stock, beehives, or livestock if the damage is caused by deer, bear, geese, or turkey. Each claim is subject to a \$250 deductible. A claimant is paid 100% of the first \$5,000 above the deductible. If a claim is greater than \$5,250, a person can receive 80% of the amount of the claim, with the total amount paid not to exceed \$15,000 per claim. If the total amount of damage claimed is greater than available revenues after paying for administration and abatement, the Department prorates damage claim payments. Landowners receiving state abatement or claims funding are required to permit hunting of the species doing damage (generally allowing at least two hunters per 40 acres) and to harvest a specified number of deer if shooting permits are issued to abate damage.

5. The following table provides information on expenditures from the various components of the wildlife damage program since calendar year 2000. Program expenditures are shown on a calendar-year basis, due to the use of the county fiscal year in making program payments (state payments are typically made in the following year, that is calendar 2001 claims are generally paid in fiscal year 2001-02). Expenditures listed for the "control of wild animals" include expenditures made for two administrative staff, the wild animal removal program and the urban wildlife abatement grant program.

TABLE 1

**Wildlife Damage Surcharge Programs
Calendar Years 2000-2006**

<u>Year</u>	<u>No. of Counties</u>	<u>Total Costs</u>	<u>Chronic Wasting Disease</u>	<u>Venison Processing</u>	<u>Total Damage Program Costs</u>	<u>Admini- stration</u>	<u>Abatement</u>	<u>Claims</u>	<u>Control of Wild Animals</u>
2000	68	\$3,288,000	N.A.	\$434,100	\$2,853,900	\$818,500	\$259,400	\$1,531,400	\$244,600
2001	69	3,132,800	N.A.	244,500	2,888,300	837,800	247,400	1,565,600	237,500
2002	69	7,034,500	\$3,334,900	326,000	3,373,600	902,900	332,700	1,940,600	197,400
2003	70	5,051,000	1,234,700	461,000	3,355,300	957,300	312,700	1,838,600	246,700
2004*	70	5,430,900	1,465,800	555,900	3,409,200	972,800	359,300	1,860,100	217,000
2005*	70	5,085,100	1,476,600	0	3,608,500	1,016,600	317,800	2,046,100	228,000
2006*	70	5,335,400	1,476,600	0	3,858,800	1,062,300	317,800	2,250,700	228,000

*Estimated.

6. Revenues to the wildlife damage program fluctuate annually, primarily based on the number of bonus deer permits sold each season. Since the bonus permit was created in 1992, revenues have exceeded expenditures under the wildlife damage program, to the extent that the program ended fiscal year 2002 with a \$7.5 million balance. A portion of this balance (\$3,334,000 in 2002-03) was provided for CWD management efforts. Beginning in 2003-04, funding from the wildlife damage fund was provided for CWD management on an ongoing basis (\$1,594,700 in 2003-04 and \$1,465,800 in 2004-05).

7. Beginning with the provision of wildlife damage funding for CWD expenditures in 2002-03, expenditures from the wildlife damage fund have exceeded revenues. This was due in part to an effort to use the available balance of the account rather than draw entirely from the fish and wildlife account for CWD management. However, declining sales of bonus deer hunting permits also contributed to the imbalance. Major factors in the demand for bonus deer hunting licenses are the number of deer management units statewide that are designated as either CWD management zones or as "Zone T" by DNR.

8. A deer management unit may be designated as "Zone T" if the deer population in the geographical area (deer management unit) remains at least 20% over carrying capacity despite normal efforts to reduce the number of deer. "Zone T" units are subsequently designated for special seasons and other deer harvest techniques (such as antlerless-only and earn-a-buck programs) in an attempt to reduce the estimated deer population of that area closer to the unit's carrying capacity. When the deer population is estimated to have been reduced below that threshold, its "Zone T" status is removed. Individuals purchasing a gun or archery deer license receive a free antlerless-only hunting permit that is usable in deer management units that have been designated as "Zone T".

9. In an effort to lower deer populations in widespread areas, DNR authorized additional antlerless deer seasons in 2004 for gun hunters from October 28 through October 31 in 74 of the state's 135 deer management units (55%). A second antlerless season was authorized for 52 deer management units from December 9 through December 12, which includes selected deer management units south of Highway 8. All hunters received one free "Zone T" antlerless permit when they purchased a deer-related license for the 2004 hunting season. Approximately 64,600 antlerless deer were harvested during the October "Zone T" season (an increase of 24,000 deer over the 2003 October "Zone T" season). During the 2003 deer season, when 47 deer management units were listed as "Zone T". The Department recently announced that 45 deer management units would be in "Zone T" for the fall 2005 deer hunting season.

10. The following table provides an estimated condition statement for the wildlife damage program through 2006-07 under AB 100. It should be noted that expenditure estimates differ slightly from those shown in Table 1, as Table 2 estimates revenues and expenditures on a fiscal, rather than calendar year basis. In anticipation of a potential shortfall, DNR has indicated that it will not fund the venison processing donation program during the 2005-07 biennium. In the event that available revenues are not sufficient to cover all wildlife damage program costs, state law requires the Department to first pro-rate (or eliminate) funding for the venison processing donation program. However, as shown in the following table, eliminating funding for this program would not be sufficient to make up the anticipated shortfall.

TABLE 2

**Wildlife Damage Account Condition AB 100
(Fiscal Years, \$ in Millions)**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Opening Balance	\$4.38	\$2.88	\$0.13	-\$0.99
Revenue	<u>3.47</u>	<u>2.73</u>	<u>3.99</u>	<u>3.84</u>
Total Available	\$7.85	\$5.61	\$4.12	\$2.85
Wildlife Damage	\$3.30	\$3.46	\$3.63	\$3.88
Venison Processing	0.46	0.56	0.00	0.00
CWD Management	<u>1.21</u>	<u>1.46</u>	<u>1.48</u>	<u>1.48</u>
Total Expenditures	\$4.95	\$5.48	\$5.11	\$5.36
Closing Balance	\$2.88	\$0.13	-\$0.99	-\$2.51

11. As shown in the table, it is anticipated that revenues to the wildlife damage fund will not be sufficient to fully fund appropriations for CWD expenditures as well as anticipated wildlife damage program costs during the 2005-07 biennium, even if the increase in the per-license surcharge were implemented. If the venison donation processing program were to be funded during the biennium, \$600,000 or more in each year may need to be provided, resulting in an expected shortfall of over \$3.7 million.

12. Current law specifies that wildlife damage revenues be first appropriated for urban abatement grants, CWD management and wildlife removal activities. Remaining revenues are deposited for the wildlife damage program (including venison processing). If revenues are insufficient to pay all eligible costs, DNR is first required to eliminate or pro-rate venison processing claims and then wildlife damage claims. If revenues are still insufficient DNR would next eliminate or pro-rate damage abatement reimbursement and finally county administrative costs. Under the bill, DNR would be required to suspend the venison-processing program (other than a very limited program that could be funded with voluntary payments) and eliminate funding for most or all wildlife damage claims. However, although not required to do so, DNR could voluntarily reduce expenditures in other programs (such as CWD management) in order to increase available revenues for the wildlife damage program.

13. Between 1999 and 2001, DNR tested over 1,000 deer throughout the state for CWD. However, no positive samples were identified prior to the 2001 gun deer season. In that year, three bucks harvested from deer management unit 70A (which includes portions of Dane and Iowa Counties) tested positive for the disease. Through April 6, 2005, approximately 75,200 samples

from deer were submitted for testing. Of those, 454 deer have generated positive test results for CWD. In response to DNR's request for assistance, the Governor called a special session of the Legislature in May, 2002, and the Legislature passed 2001 Act 108 to address issues concerning the state's ability to manage CWD in Wisconsin. Under the provisions of 2001 Act 108, \$4,000,100 in one-time funding was provided for CWD management efforts. Of the funding provided, \$3,000,100 was provided from wildlife damage program surcharge revenues, and \$1,000,000 was provided from the available balance of the recycling fund. DNR subsequently sought additional expenditure authority under s. 13.10 of the statutes and on December 17, 2002, the Joint Committee on Finance approved an additional \$343,900 in one-time funding from the available balance of the wildlife damage program for costs related to herd eradication, sample collection, and enforcement efforts. Under 2003 Act 33, ongoing funding totaling \$1,954,700 was provided in 2003-04 (\$1,594,700 from the wildlife damage revenue appropriation and \$360,000 FED) and \$1,465,800 was provided in 2004-05 (also from wildlife damage).

14. The Department's CWD expenditures were originally funded primarily from wildlife damage surcharge revenues in an effort to use a portion of the program's available balance rather than draw entirely from the fish and wildlife account for CWD management. Further, to the extent that a portion of the Department's efforts to eradicate CWD in the deer herd focuses on reducing concentrated deer populations that may otherwise damage crops, it may be argued that using a portion of crop damage funds for CWD control efforts could be viewed as preventative measures under the wildlife damage program. However, to the extent that the oversight and management of the health of the deer herd is a primary function of the wildlife management program, it could be argued that a more appropriate source of funding for CWD expenditures is the general fish and wildlife account of the conservation fund.

15. It should be noted that one of the reasons for not using fish and wildlife account funding in the past, namely insufficient revenues to the account to support the additional expenditures, is still a relevant concern. The balance of the fish and wildlife account is addressed in a separate issue paper. Depending on whether the package of fee adjustments approved by the Committee is sufficient to support additional expenditures, it may be argued that some or all of the CWD program expenditures may be moved from the wildlife damage program to the general fish and wildlife account.

16. To the extent that the primary purpose of the wildlife damage program is to provide landowners with financial assistance to implement projects to reduce crop damage and partially reimburse losses incurred from crop damage, it could be argued that program priorities could be specified accordingly. For example, the Committee could direct DNR that, in the event that available revenues are not sufficient to cover all program costs, the Department should first pro-rate (or eliminate) funding for the venison processing donation program, then pro-rate (or eliminate) funding for CWD program expenditures, and so on as shown in Table 3. This option would prioritize the grant programs first, then DNR administration of the damage and removal programs, then CWD management, with venison donation remaining the lowest priority. If this alternative were selected without making additional revenue or expenditure adjustments to the wildlife damage program beyond the surcharge increase included in the bill, the venison processing donation

program would not be funded during the 2005-07 biennium, and CWD efforts would be estimated to be funded at approximately \$450,000 in 2005-06, and not funded in 2006-07. While the table suggests one alternative for wildlife damage priorities, others could be considered.

TABLE 3

Wildlife Damage Related Program Priorities

<u>Current Law</u>	<u>Priority</u>	<u>An Alternative</u>	<u>Priority</u>
Urban Grants	1	Damage administration	1
CWD Management	1	Damage abatement	2
DNR Administration/Removal	1	Damage claims	3
Damage administration	2	Urban grants	4
Damage abatement	3	DNR Administration/Removal	5
Damage claims	4	CWD Management	6
Venison processing	Last	Venison processing	Last

17. The wildlife damage program is funded by revenue from a \$1 surcharge on most resident and nonresident hunting licenses and a \$2 surcharge on resident and nonresident conservation patron licenses; and from the \$12 resident (\$20 nonresident) bonus deer permit. Under the bill, the per-license surcharge would be increased to \$2 on most hunting licenses, and \$4 on conservation patron licenses. In addition to the statutory fees charged for hunting and fishing licenses, DNR also currently charges a \$3 permit application fee for the following permits: (a) hunter's choice deer hunting; (b) bonus deer hunting (with the fee waived under some circumstances); (c) bobcat hunting and trapping; (d) otter trapping; (e) fisher trapping; (f) Canada goose hunting; (g) wild turkey hunting; (h) sharp-tailed grouse hunting; and (i) class A bear license. Some of these fees are waived for holders of the conservation patron license. The application fee was set at \$3 under 1991 Act 39 (with 15¢ retained by the vendor), and has not been increased since its implementation. During license year 2004 (which ended March 10, 2005), hunters paid the \$3 fee for 303,032 applications (generating approximately \$900,000 in revenue to the fish and wildlife account).

18. Increasing the application fee to \$5 on March 1, 2006, with \$1.75 of the increase provided for the wildlife damage program, would maintain application revenues to the fish and wildlife account at current levels after accounting for a modest decrease in sales due to price resistance, and would be anticipated to provide approximately \$10,000 in 2005-06, and \$520,000 annually thereafter in new revenue to the wildlife damage program.

19. CWD expenditures have totaled approximately \$4.7 million the last two years and DNR expects that CWD expenditures are likely to remain at about this level for the 2005-07 biennium. Agency efforts are funded from federal grants (to the extent available) a reallocation of existing wildlife management staff and supplies (fish and wildlife account) and by the \$1.5 million

wildlife damage appropriation. A central focus of the Department's effort to control CWD in the wild deer population has been to reduce the size of the herd in areas of the state where CWD has been found. This effort has required additional funding to support overtime for conservation wardens assisting with extended deer management seasons, disposal costs of deer heads and carcasses when hunters did not wish to keep them, testing costs for animals killed statewide and within the CWD management zones, a portion of the funding for the CWD deer bounty program, and staff time to conduct communication and education efforts with residents and hunters within CWD management zones.

20. Despite concentrated efforts, DNR estimates that only minimal reductions in local deer herd populations have been achieved within the CWD management zones. A report to the DNR board in December, 2004, indicated that DNR wildlife biologists estimate that the combined efforts of extended CWD control hunts, deer management seasons, the deer bounty program, and sharpshooter efforts have lowered the deer population by approximately 10% from pre-CWD control efforts. Given these results, it may be argued that the use of substantial resources for limited returns may not be the best use of these funds. From this perspective, it may be argued that funding could be reduced, and the Department encouraged to re-evaluate the effectiveness of its efforts in an attempt to achieve better results.

21. Alternatively, it may be argued that reducing the resources available to address CWD in the deer herd may result in an increased rate of CWD infections, and increase, or hasten, negative impacts to the State's tourism and recreation sectors. From this perspective, it may be argued that maintaining funding of CWD management efforts, whether from the fish and wildlife account, the wildlife damage program, or some other funding source are necessary.

22. Since the wildlife damage account may no longer be able to support an ongoing CWD appropriation, one option would be to delete wildlife damage funding for this program and seek an alternative source. Some have argued that recreational expenditures relating to deer hunting are a major contributor to the state's economy. A 2000 survey by the Department of Tourism estimated that 564,000 active hunters spent approximately \$230 million while deer hunting. From this perspective, it is argued that state and local economies receive a direct benefit from the state's hunting tradition and, therefore, it would be appropriate for a more broad-based revenue source be used to fund a portion of CWD management efforts. For example, the DNR Board had requested \$1.5 million GPR annually to offset CWD expenditures. Further, \$1 million in recycling fund SEG (business surcharge and landfill tipping fees) was used in 2002-03. DNR officials note that even if an alternative source is found for the approximately \$1.5 million currently funded from wildlife damage revenues, the agency would continue to contribute an additional \$3 million or more annually toward the program (either from state or federal sources).

23. If CWD management costs were shifted to another source and \$1.75 of a \$5 application fee were deposited to the wildlife damage program, ongoing revenues would be expected to nearly fund all remaining program costs (depending on the annual fluctuation in bonus deer permit sales). However, in 2005-06 (fall of 2005) the venison-processing program could see payments prorated by approximately 17% (approximately \$100,000) and by 23% (\$140,000) in

2006-07. Alternatively, DNR has indicated that it may choose to not fund the venison processing program in 2005-06 in order to provide full funding for the program in 2006-07.

24. Finally, a technical correction is required to implement the Governor's intent. The administration intended that the increased wildlife damage surcharge would not increase the overall fee for a junior conservation patron (\$75) or sports (\$35) license. However, due to an error, the bill would increase these fees by \$2 and \$1 respectively.

ALTERNATIVES

1. Approve the Governor's recommendation (as technically corrected) to increase the wildlife damage surcharge currently applied to most hunting licenses from \$1 per license to \$2 per license. Increase the surcharge on conservation patron licenses from \$2 to \$4. The surcharge is currently added to the cost of resident and nonresident deer, elk, Class A and Class B bear, archer, wild turkey, small game, and sports licenses, as well as to nonresident five day small game and furbearing animal licenses.

<u>Alternative 1</u>	<u>SEG-REV</u>
2005-07 REVENUE (Change to Bill)	\$517,900

2. Transfer the funding source for \$1,476,600 annually for the management and control of chronic wasting disease in the state's wild deer herd from wildlife damage surcharge revenues to the general fish and wildlife account of the conservation fund. (This would increase the available balance of the wildlife damage program by almost \$3 million on June 30, 2007, and reduce the general fish and wildlife account balance by the same amount.)

3. Increase the permit application fee from \$3 to \$5 effective March 1, 2006, for the following permits: (a) hunter's choice deer hunting; (b) bonus deer hunting (with the fee waived under some circumstances); (c) bobcat hunting and trapping; (d) otter trapping; (e) fisher trapping; (f) Canada goose hunting; (g) wild turkey hunting; (h) sharp-tailed grouse hunting; and (i) Class A bear license. Specify that \$1.75 of the revenue generated by the sale of each permit application be deposited for wildlife damage program activities.

<u>Alternative 3</u>	<u>SEG-REV</u>
2005-07 REVENUE (Change to Bill)	\$530,000

4. Specify that, in the event that available revenues are not sufficient to cover all wildlife damage program related costs, the Department should first pro-rate (or eliminate) funding for the venison processing donation program, then pro-rate (or eliminate) funding for CWD program expenditures, and so on, as shown below.

<u>Program</u>	<u>Priority</u>
Damage administration	1
Damage abatement	2
Damage claims	3
Urban grants	4
DNR Administration/Removal	5
CWD Management	6
Venison processing	Last

5. Delete \$1,476,600 wildlife damage SEG annually for CWD management (CWD related expenditures would be reduced by this amount, or an alternate funding source could be found).

<u>Alternative 5</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$2,953,200

6. Maintain current law.

<u>Alternative 6</u>	<u>SEG-REV</u>
2005-07 REVENUE (Change to Bill)	- \$1,597,400

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