

Relative Distributions of Game and Fish Fund
Between Fishing and Hunting

**Game and Fish Fund Budgetary Oversight Committee
Ad Hoc Report**

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Ad Hoc Committee:

Rick Horton, Budget Operations Committee Chair

Dennis Neilson, Wildlife Operations Committee Chair

John Schneider, Fisheries Operations Committee Chair

Overview

Minnesota's hunting and angling communities view revenues of the Game and Fish Fund (GFF) as user fees generated by their license purchases and the excise taxes collected on their equipment purchases. Both hunters and anglers assume that the dollars generated by their purchases are spent on activities that enhance and manage their sport, and the habitat and species they pursue [i.e. hunting revenues are spent on hunting related activities, and fishing dollars are spent on fisheries related activities]. Expenditures out of the GFF are expected to be in proportion to revenues received.

Funding of Department of Natural Resources (DNR) fish and wildlife management activities is very complicated. It relies on appropriations from several funds including: the Game and Fish Fund, General Fund, Legislative Commission on Minnesota's Resources (LCMR) grants, Heritage Enhancement allocations, the bonding process, and other miscellaneous funds. The legislature, when it makes its appropriations, must blend these sources into a dollar value that approaches angling and hunting management needs for its biennial budget appropriation, bonding appropriations, and LCMR funding cycles.

Minnesota law has no requirement to separately account for (1) fishing revenues and expenditures and (2) hunting revenues and expenditures. Regardless of legal requirements, this Committee believes that the DNR has an implicit ethical obligation to its stakeholders to spend fishing revenues on fishing and hunting revenues on hunting.

Background and Analysis

The Budget Oversight Committee (BOC) is responsible for reviewing annual reports of revenues and expenditures and making recommendations to the legislature and the Department of Natural Resources Commissioner for improvements in management and use of money in the GFF.

The Wildlife Operations Committee (a subcommittee of the BOC) requested an analysis of GFF operating revenues and operating expenditures split between fishing and hunting in January 2005. This analysis was prepared by the DNR in June 2005 with all of the operating revenues and expenditures of the GFF allocated to either hunting or fishing.

Revenue allocation formulas were relatively unimportant because over 90% of annual operating revenues come from federal payments or license sales. Both federal payments and license sales can easily be split into fishing and hunting components. Allocations of other operating revenues were made using various measurement methods.

Expense allocation formulas were much more important since only about 50% of GFF operating expenditures are made by the Fish and Wildlife Sections. Allocations of the GFF operating expenditures by the License Section and divisions other than Fish and

Wildlife (Land and Minerals, Trails and Waterways, Ecological Services, Enforcement, Operations Support and Indirect) were done by the DNR on a division-by-division basis by estimating benefits received.

An ad hoc subcommittee of the BOC (consisting of the BOC chair, the WOC chair and the Fisheries Operations Committee chair) received this DNR analysis in the summer of 2005, reviewed assumptions, formulas and computations and discussed it with the Fisheries, Wildlife and Administrative Services section managers. The subcommittee and the DNR section managers agreed that the analysis was reasonable. A summary of the DNR's report is provided in Appendix B of the FY05 Game and Fish Fund Report.

Exhibit 1 attached summarizes operating revenues and expenditures for the four biennia from July 1, 2000 thru June 30, 2007 (using budget amounts for FY 2005 and later).

Exhibit 1 clearly demonstrates that, for this eight year period, GFF fishing operating expenditures exceeded fishing operating revenues by \$11,829,000 and GFF operating hunting revenues exceeded operating hunting expenditures by \$17,681,000.

Questions and Answers

1. Was the situation reversed (fish underspending and hunting overspending) in prior periods?

Ron Payer (DNR Fish Management section manager) and John Schneider (BOC Fisheries Operations chair) recall that prior years had fishing supporting hunting but no one has any analysis stating fiscal years and amounts involved. Both Ron and John recall that the methodology used in past years was different than that used in 2005.

2. Were Game and Fish Fund inequities offset by inequities in Heritage Enhancement account allocations?

No. Heritage Enhancement allocations to the Fisheries and Wildlife sections vary greatly in dollar amount from year to year. The relationship of total fish and wildlife Heritage Enhancement allocations, however, from FY 2001 thru FY 2005 (59%/41%) is comparable to the relationship of total revenues over the 8 year analysis period (57%/43%).

3. Were appropriations from other funding sources [General Fund, LCMR etc.] equally allocated to hunting and angling during the eight years?

No. Appropriations from these funds show large changes from year to year. For example, the General Fund's contribution to fisheries management activities has ranged from a high of \$2,256,000 in FY01 to low of \$25,000 in FY03. LCMR appropriations also are quite different between hunting and angling related efforts.

4. Are Game and Fish Fund inequities offset by inequities in bonding allocations?

Bonding is by its nature very different from annual operating appropriations; no attempt was made by the Committee to analyze bonding allocations.

5. The analysis includes only Game and Fish Fund operating accounts and excludes dedicated accounts; what would be the effect of including dedicated accounts?

By definition dedicated accounts can only be spent for their stated purpose and cannot be spent below a zero fund balance. Including dedicated accounts would add nothing to the analysis of dollar amounts of over/under spending.

6. Would additional fishing dedicated accounts make a difference?

This question comes up because Hunting has many more dedicated accounts than Fishing; the answer is that this would make no difference to the analysis of over/under spending.

Conclusion

For the eight year period beginning with FY 2000 and continuing thru FY 2007 (using budget amounts for FY 2005 and later):

-The fund balance of the Game and Fish Fund increased.

-The fund balance increase resulted from a fishing deficit of \$11,829,000 being exceeded by hunting surplus of \$17,681,000.

In short, fishing overspending for the eight years was covered by hunting underspending.

We are especially concerned that the DNR has not routinely compared fishing and hunting revenues in relationship to expenditures as separate entities. No documentation of prior measurements [pre FY 2000] can be located. This especially becomes a concern because of the recent regrouping of the separate Fisheries Division and Wildlife Division back into the joined Division of Fish and Wildlife.

We request that the DNR immediately disclose this information to the legislature and the public. All parties need to work together to achieve full disclosure, commit to changes in tracking hunting and fishing activities as separate entities, and to make the legislative and funding changes necessary to correct this inequity. We also ask that that heretofore this analysis be conducted routinely and reported in the Game and Fish Fund Report.