

**N.H. Fish and Game Department
Testimony on FY 2008 and FY 2009 Budget
Hearing before House Finance Committee
March 5, 2007**

Good Morning Madam Chair and Committee members. For the record, my name is Lee Perry. I serve as Executive Director of the New Hampshire Fish and Game Department.

I appreciate the opportunity to be here today to update you on our financial situation and to provide you with a status report on the Fish and Game Department budget.

Unfortunately, in spite of our efforts and strong interest and support for finding a solution to the financial issues that we face, the Fish and Game Department remains in serious financial trouble. Neither the budget request that the Department submitted nor the budget request that you have before you today will assure adequate funding either in the short term or long term.

The New Hampshire Fish and Game Department was established on June 30, 1865, as the Fisheries Commission, and was reorganized to its current structure in 1935.

State laws charge us with: conserving New Hampshire's fish, wildlife and marine resources and their habitats; informing and educating people about them; and providing people with opportunities to use and appreciate these resources.

The Department is also responsible for the administration of the Off Highway Recreational Vehicle and Snowmobile registration, education and law enforcement program; administration of the Public Waters Access Program and for conducting search and rescue operations statewide.

The Department operates out of the Fish and Game Fund - a special revenue account that receives money from three revenue sources:

- Fish and Game Funds, about 46%, derived principally from the sale of hunting and fishing licenses;
- Other Funds, about 30%, from OHRV fees and other restricted accounts; and
- Federal Funds, about 24%.

The monies held in the Fish and Game Fund fall within one of two broad categories:

- restricted, meaning that the monies can only be spent for specific purposes; and
- unrestricted, meaning that the monies can be spent for general Department operations.

More than half of the Department's budget represents expenditures from restricted accounts.

The Department receives no General Funds except for a \$50,000 matching appropriation dedicated to the Nongame program.

The number of people who buy hunting and fishing licenses are on the decline in New Hampshire as well as nationally. Because of this decline and the increased costs of performing our work, we have reached a point that we do not have sufficient revenue to meet expenses.

As early as August, 2001, revenue projections forecast a looming financial problem in the Fish and Game fund. License fees were increased in calendar year 2002 and 2003 to provide additional revenue.

When the Department started compiling the FY 2006/2007 budget, we recognized that annual revenues were insufficient to fully fund the budget. The license fee increases of 2002 and 2003 had produced only about \$1.7 million of the anticipated \$3 million in additional revenue and costs continued to rise. To achieve a balanced budget, we reduced expenses by \$1.7 million and appropriated the remaining \$1.8 million from cash reserves.

Starting with the budget hearings in November 2004, we disclosed this shortfall and forecast that about \$5 million in additional revenues would be required for the FY 2008/2009 budgets. We identified that \$2 million might come from the Fish and Game Fund reserve, depleting the Fund balance and requiring \$3 million in additional revenue to maintain staff and programs.

Since that time we have had frequent contact with the Governor's office and legislators, informed the public about this growing problem, sought ideas for new funding and cost savings and implemented some.

Unfortunately, in spite of our efforts and strong interest and support for finding a solution to the financial issues that we face, the Fish and Game Department remains in serious financial trouble. Neither the budget request that the Department submitted nor the budget request that you have before you today will assure adequate funding either in the short term or long term.

Both the Department and Governor Lynch sought a short-term solution that would avoid layoffs and maintain programs and services through the biennium. We requested general fund monies to cover the gap. The budget before you, with one exception, does not include general funds and proposes to balance the Fish and Game Department's budget by raising \$250,000 in new revenue; eliminating vacant positions; and imposing deeper spending cuts.

For reasons that I will discuss in greater detail, if the proposed budget is approved as written it will reduce programs and services and leave the fish and game fund in the red at the close of FY 2009.

Neither our request nor the proposed budget provides any cash reserve to accommodate any increase in employee benefits or other expenses or to repair and maintain facilities or replace equipment. While there are various bills that propose ways to provide additional funds to the Department, a funding solution still eludes us.

Fiscal Year 2007

As forecast in November, 2004, we expect to close FY 2007 with a balance in the fish and game fund of about \$2.0 million. This net amount will result from meeting budgeted unrestricted

revenues of \$9.5 million, savings amounting to about \$1 million (primarily in vacancy savings) and additional supplemental appropriations amounting to about \$841,000 to fund the Collective Bargaining Agreement, the cost of the hunter information program and increased costs for fish food, fleet management, facility utilities and heating oil.

Fiscal Year 2008/2009

As expected, when we prepared the FY 2008/2009 budget, we were faced with significant shortfalls in the Unrestricted Fish and Game Fund that funds the Department's general operation.

Shortages are also anticipated in the:

- Search and Rescue Fund that is intended to reimburse the Department for the cost of search and rescue activities;
- Nongame Species Account that currently receives a \$50,000 General Fund appropriation that is inadequate to match federal grant funds dedicated to nongame conservation; and
- OHRV and Snowmobile Fund that is intended to fund the Department's registration, training and enforcement activities.

When we compiled the Department's budget, we needed unrestricted fish and game funds amounting to about \$13.6 million in FY 2008 and \$ 13.9 million in FY 2009. We anticipated revenues of about \$10.4 million for each year of the biennium.

Expenditures to be funded by the Unrestricted Fish and Game Fund exceeded Fish and Game unrestricted revenue and cash reserves by about \$5 million.

We reviewed all areas of the budget with an objective of reducing expenses to cover the shortfall and concluded that cuts of this magnitude could not be achieved without significant service reductions and laying off permanent employees.

These projections resulted in a meeting with Governor Lynch in late August to present the situation and discuss options in order to submit a balanced budget.

Our budget is founded on those discussions and reflects a two part approach.

The first part of our budget strategy was a stopgap measure that used general fund monies to allow us to continue to operate until new fund sources are identified. The second part of our strategy was to seek passage of various bills during this legislative session to fund the Department.

The stop gap measure was accomplished by requesting \$3.2 million in General Funds for the biennium.

The Department's budget request for FY 2008 and FY 2009 was about \$27.4 million and \$27.7 million per year respectively. Of these totals, \$11.4 million in FY 2008 and \$11.6 million in FY 2009 were to be derived from unrestricted fish and game funds.

The Department's budget request for FY 2008 and FY 2009 was less than the Department's FY 2006 adjusted authorized budget of \$28.9 million.

The Department's budget request reflected the traditional revenue sources of Federal Funds at 20%, Fish and Game Funds at 42%, Other Funds (Dedicated Accounts) at 32%.

Our budget request also included the use of General Funds amounting to \$1.6 million annually, about 6% of the annual budget:

- \$1.1 million would pay expenses currently being paid with unrestricted Fish and Game revenues: \$594,000 for Debt Service payments; \$366,000 for Conservation Education, a portion of which are required for match to existing NOAA funds for the Great Bay Estuarine Research Reserve Program; and \$154,000 for Dam Operations and Maintenance
- \$200,000 would augment the Search and Rescue Dedicated Account, which as of December 30, 2006, had insufficient funds to reimburse the Fish and Game Fund for expenses, associated with search and rescue activities performed during the second quarter of FY 2007.
- \$300,000 would meet new federal match requirements and provide the state match for State Wildlife Grant federal funds to the nongame program from the US Fish and Wildlife Service. This amount would be in addition to the \$50,000 the General Fund now provides.

Realizing that we were competing with others for limited General Funds, we attempted to keep our budget request to a level that maintained an already inadequate Fish and Game spending authorization but would realistically maintain programs and services until new revenue sources were established during this legislative session.

To achieve a balanced budget: we eliminated two positions bringing the total of full time positions to 198. 14 full time positions have been eliminated since FY 2004.

We assumed employees would continue to receive salary increments and budgeted accordingly but did not reserve any funds to cover any additional employee benefits that may result from current contract negotiations.

We reduced some expenses to more accurately reflect actual expenses. We also provided for full recovery of administrative costs, fleet operating costs, and other appropriate costs from dedicated accounts.

We budgeted inadequate amounts for replacement equipment and minimal amounts to replace motor vehicles. We have delayed purchasing vehicles with the intent of driving vehicles longer before replacing them. As of October 2006, over 50 % of our light trucks and passenger vehicles had odometer readings greater than 100,000 miles. We are at a point that monies should be appropriated and spent to replace high mileage vehicles on a standardized basis.

We did not address deferred maintenance needs or submit a capital budget request for FY 2008 or FY 2009, because funding is not available for debt service payments. Currently there is an estimated \$4.5 million in dam repairs and reconstruction necessary on 18 of the Department's dams.

In FY 2000, \$350,000 was appropriated from the fish and game fund for a cooperative fencing program for wildlife damage control. These funds that are continually appropriated will likely be fully expended during the current biennium. We did not request additional funding for this program.

We addressed Retiree Health Insurance payments - our single highest expense other than active employees' wages and benefits - choosing to use the post retirement method of paying for our retirees' health care rather than the direct bill method used in the past. This approach offers us the opportunity to recover some of these costs from various restricted funds as "fringe benefits" for active employees working on activities funded by federal and other funds.

We budgeted funds to pay the service fees of approximately \$720,000 per year as requested by OIT, a 45% increase over FY 2006 and the second highest operating expense paid from the Fish and Game Fund. We did not have sufficient funds to address upgrades to Department operating systems as recommended by OIT at an estimated expense of \$1 million.

Following the submittal of our budget request, the Governor's budget staff considered it and presented a modified plan in the proposal that is before you today. It attempts to balance the Fish and Game Department's budget by:

- Raising \$250,000 in new revenue;
- Eliminating vacant positions; and
- Further cutting operating expenses.

Except for \$307,625 for Dam Operations (\$153,111 in FY 08, \$154,514 in FY 09), Fish and Game's request for \$3.2 million (\$1.6 million each FY) in stopgap funding from the General Fund is not included in the budget proposal that is before you.

The budget adds \$250,000 of additional revenue in each year to the unrestricted portion of the Fish and Game Fund. The money is to be raised by awarding up to 50 moose hunt permits annually to the highest bidders through public auction. Vermont and Maine have awarded 5 permits annually through a bid process. Based on their statistics, if New Hampshire replicated their success we would receive bids ranging in values from a high of \$12,175 to a low of \$526.75 from as few as five to as many as nineteen people. If permits were awarded to every person that bid, the revenue received could range from a low of \$ 21,517 to a high of \$ 118,371 annually. These bids suggest that the projected level of revenue is unattainable. A greater concern is the impact that this approach can have on the moose population and the existing permit allocation system. Each year biologists determine the number of moose that can be harvested from specific areas of the state and the number of hunters that can be permitted to participate in the annual hunt. For the 2006 hunt, over 16,000 people competed for 675 of these highly coveted permits through an impartial lottery system. As many of you now realize, few sports men and women support the revised allocation system.

The proposed budget eliminates 10 positions. Two mechanic positions were not funded as part of the Department's request and reflects my decision to close the Department's automotive shop in January 2006. Two positions, a marine biologist and the Department's Human Resources Administrator, are not vacant. The remaining six positions are vacant (a secretary, vacant since June, 2005; a biologist vacant since July, 2005, a biological technician, vacant since July, 2005; an ecologist vacant since March, 2006, a public works project manager III, vacant since June, 2006 and a construction technician, vacant since December, 2006). The Public Works Project Manager III is the Department's only engineer position and its loss will affect Department operations.. Because some of these positions are partially or fully funded by federal and other funds, these vacancies generate a savings to the Fish and Game fund of about \$265,034 over the biennium.

The third action was to further reduce expenses to cover the expenses that we anticipated covering with General Fund money. The additional cuts not only affect operations such as fish stocking, fish and game biological work, law enforcement, conservation information and education activities and support services, the cuts fall short of saving the money necessary to balance the budget.

As I mentioned earlier, the Fish and Game budget is comprised of many restricted accounts. By law these funds can be used only for specific purposes and require varying amounts of matching money in order to be obtained. Unfortunately, when the Governor's budget team made their cuts they credited the majority of each dollar cut from the Fish and Game budget as savings to the Fish and Game Fund without full regard to the source of funds. When items funded by federal funds or other sources are cut, the Fish and Game fund does not realize the full savings. As a result, the savings to the Fish and Game Fund are overstated.

Conversely this approach understated the reduction in federal, private local and other available revenue and had the effect of not appropriating federal grants and other funds that are available to the Department. The net result of these cuts is that the proposal you have before you will require an increased appropriation of approximately \$595,000 more in unrestricted fish and game funds over the biennium and will not fully appropriate available federal, private local and other available revenue amounting to about \$1,610,973.

The net effect of lower revenue being realized from the proposed moose auction and additional expenditure required from the unrestricted fish and game fund will cause the unrestricted portion of the Fish and Game Fund to be depleted before the end of the 2008/2009 biennium.

Upon becoming aware of this situation, I called and briefed Governor Lynch. He asked that I arrange a meeting with him and his staff to address these issues.

Over the past two weeks we have met with the Governor's budget team to address these issues and we are working together on solutions that we hope to share with you as the budget process continues.

One area that the Governor has already included in the budget will save \$150,000 per year in the Fish and Game fund when responsibility for operation and maintenance of Fish and Game dams are transferred to the Department of Environmental Services Dam Maintenance Bureau. The Governor has also submitted a request for \$450,000 in the capital budget to address two

Department dams that have been determined by DES to be in the greatest need of repair. The General Fund would fund this repair work.

Some new items that are under discussion to balance the budget include:

- providing \$200,000 in state General Funds to help pay for Fish and Game search and rescue activities. At this time the deficit is included in the budget as being covered by unrestricted fish and game funds.
- consideration of alternate revenue sources to replace the anticipated shortfall in funding from the moose auction. We have offered an alternative with an estimated \$400,000 in new revenue derived from our proposal to create a game management account; and
- restoring federal and other funds that were inadvertently eliminated in the budget. Since the budget was developed, we have become aware of some additional federal and state revenue that should also be budgeted as well.

I look forward to including you in these discussions in the coming days.

At times I think we get so focused on the bottom line and cutting expenses that we forget the affect that inadequate funding has on our employees and their ability to deliver programs and services to the people we work for. I believe we all need to keep the Department's mission as well as money in mind as we consider this matter.

Since 1935, the Fish and Game Department has been self-supporting. Because we have been directly dependent on the people we serve to pay for the work we do for them, we have had to be cost conscious, efficient and effective. Based on the status of the resources we manage and the public support we enjoy, I think the Department has done an exceptional job.

When the current financial problem was recognized, we addressed it openly and honestly. Steps were taken to address it as best as we could. We cut expenses and used other available funding sources whenever possible. We have delayed filling a number of positions and asked remaining employees to cover the gaps. We have postponed maintenance and repairs to facilities. We have not replaced equipment. Every Division in the Department has stretched its dollars by involving partner organizations and volunteers and accepting donations of money and material. To this point we have continued to provide a high level of service in spite of the challenges we face.

I want to thank and publicly commend our employees for the great work they do in spite of the financial adversity we face. I also thank Governor Lynch, the many legislators and all the New Hampshire citizens who have spoken and written in their support.

Last summer, we submitted a budget request that barely covers our basic needs, and leaves no cash reserve for absorbing unanticipated costs resulting from contract negotiations, employee retirements or equipment failure.

We need your help in finding a solution. I respectfully ask that you approve appropriation of the Department's budget request and give strong consideration to providing adequate funding to cover the undetermined but predictable additional expenses that routinely occur.

I realize that funding the Fish and Game Department in part with General Fund money is a departure from tradition. I also realize that other environmental and natural resource agencies already receive a significant portion of their budgets from the General Fund. I believe the Department has reached the point when neither the projected budget deficit nor maintaining current levels of programs and services can be resolved in the traditional way.

I am optimistic and confident that working together with you, other legislators and Governor Lynch, we can and will find the necessary additional revenue needed to keep the state's fish and wildlife agency strong, effective and able to serve the people and wildlife of our state.

On behalf of the Commission, our employees and the public we serve, I thank you for the opportunity to provide you with this progress report and look forward to working with you toward a successful resolution of the funding issues we face.