

Legislative Fiscal Analyst's Overview of the Governor's FY2017 Request

Department of Fish and Game

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY16 Conference Committee (GF Only)	\$79,265.7			
FY16 Fiscal Notes	-			
CarryForward	-			
Misc Adjustments	-			
Multi-Years/Specials	-			
Unallocated	(1,347.9)			1
FY16 Management Plan (GF only)	\$77,917.8	(\$1,347.9)	-1.7%	
One-time Items Removed	(1,312.7)			
Misc Adjustments	-			
Agency Transfer In/ Out	-			
Temporary Increments (IncTs)	-			
Maintenance Increments	-			
FY17 Contractual Salary Increases	-			
FY17 Adjusted Base Budget (GF only)	\$76,605.1	(\$1,312.7)	-1.7%	
Unallocated	(1,347.9)			2
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	35.2			
FY17 Governor's UGF Increments/Decrements/Fund Changes	(3,529.5)			
FY17 Governor's Agency Request (GF only)	\$71,762.9	(\$4,842.2)	-6.3%	
FY17 Governor's Increments, Decrements, Fund Changes and Language	FY17 Adjusted Base Budget (GF Only)	FY17 Governor's Request (GF only)	Change from FY17 Adj Base to FY17 Governor's Request	See Note:
Appropriation/Allocation			(\$4,842.2)	
Commercial Fisheries Appropriation	51,695.5	49,695.5	(2,000.0)	3
Sport Fisheries Appropriation	5,561.5	4,061.5	(1,500.0)	4
Wildlife Conservation Appropriation	5,259.2	4,259.2	(1,000.0)	5
Statewide Support Svcs/Administrative Services	2,736.7	2,594.5	(142.2)	6
Statewide Support Svcs/Habitat	3,667.1	3,567.1	(100.0)	6
Statewide Support Svcs/State Subsistence Research	2,691.4	2,591.4	(100.0)	6
Non-General Fund Agency Summary	FY17 Adjusted Base Budget	FY17 Governor's Request	Change from FY17 Adj Base to FY17 Governor's Request	See Note:
Other State Funds (all allocations)	63,473.4	64,512.8	1,039.4	
Federal Funds (all allocations)	67,063.8	67,705.6	641.8	
Total Non-General Funds (all allocations)	\$130,537.2	\$132,218.4	\$1,681.2	
Position Changes (From FY16 Authorized to Gov)	1,654	1,618	(36)	
PFT	902	879	(23)	6
PPT	698	686	(12)	
Temp	54	53	(1)	
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	-	-	-	
Maintenance and Repairs	1,000.0	-	1,000.0	7
Remodel, Reconstruction and Upgrades	350.0	-	350.0	7
New Construction and Land Acquisition	750.0	2,250.0	3,000.0	7
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	-	-	-	
TOTAL CAPITAL	\$2,100.0	\$2,250.0	\$4,350.0	

Department of Fish and Game

The Department of Fish and Game (DF&G) is charged with protecting and improving the fish, game, and aquatic plant resources of the state, and managing their use and development in the best interests of the economy and the people of the state, consistent with the sustained yield principle.

Core Services:

- **Management:** Provide opportunities to utilize fish and wildlife resources; expand existing and develop new programs to increase harvest opportunities; protect and improve habitat and access to fishing and hunting opportunities and resources; protect the state's sovereignty to manage fish and wildlife resources; optimize participation in hunting and fishing activities; improve harvest monitoring and assessment.
- **Stock Assessment and Research:** Ensure sustainability and harvestable surplus of fish and wildlife resources; improve existing fish and wildlife stock assessment and research capabilities; expand stock assessments; invest in new technologies; anticipate changing conditions (e.g., climate change, invasive species).
- **Customer Service and Public Involvement:** Provide accurate and meaningful information to all customers and involve the public in management of fish and wildlife resources; enhance public communications materials and delivery; improve Boards of Fisheries and Game and other regulatory processes; increase publication in scientific literature; improve management and scientific reporting; improve licensing/permitting services; improve education and viewing programs within the Department.

BUDGET SUMMARY

The FY17 Department of Fish & Game general fund operating budget as submitted by the Governor on December 15, 2015 is \$4,842.2 (6.3%) *below* the FY17 Adjusted Base [a *decrease* of \$6,142.2 Unrestricted General Funds (UGF) and increase of \$1,300.0 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column of the preceding spreadsheet.

FY16 & FY17 AGENCY UNALLOCATED REDUCTIONS

1. **FY16 Branch-Wide Unallocated Reduction: (\$1,347.9) UGF.** HB 2001 (Chapter 1, SSSLA 2015) included a \$29.8 million UGF unallocated reduction to be spread among Executive Branch agencies. The Governor allocated (\$1,347.9) of the reduction to the Department of Fish and Game. The agency spread its reduction as follows:

- Commercial Fisheries: \$823.3
- Sport Fisheries: \$135.0
- Wildlife Conservation: \$141.1
- Statewide Support Services: \$248.5

2. **FY17 Treatment of FY16 One-Time Salary Increases: (\$1,347.9) UGF.** FY16 operating budgets for all agencies contained COLA increases totaling approximately \$57 million (\$30.3 million UGF). For FY17, legislative intent stated that individual employees would continue to be paid at FY16 levels while agencies would absorb the UGF portion of the COLA.

The Governor's FY17 request removes the UGF portion of the FY16 COLA in every allocation that received the COLA.

For all agencies except the legislature, the judicial branch and the University of Alaska, the Governor requests:

1. that the UGF portion of the COLA be restored to each affected allocation in FY17. These actions are shown with *IncM* transaction types.
2. an agency-wide unallocated reduction equal to the sum of the amounts restored within each agency. These actions are shown with *Unalloc* transaction types.

Legislative Fiscal Analyst Comment: Legal Services has consistently opposed unallocated appropriations at any stage of the budget process on constitutional grounds. Legislative Finance views unallocated reductions as a tool to be used sparingly in the final stages of budget negotiations, but opposes their use in early stages of the budget process.

SIGNIFICANT BUDGET CHANGES

- 3. Commercial Fisheries: (\$2,488.3) UGF.** The UGF budget for Commercial Fisheries is \$3.4 million (8.5%) below the FY16 Management Plan (and 26% below the FY15 Management Plan). The FY17 Commercial Fisheries budget requests can be placed into three basic categories (listed below).

- **Reduce Funding for Fisheries Management Projects, Program Support, and Research Projects in Various Allocations: (\$2) million UGF.** In response to the fiscal situation, the Department has decremented UGF from various allocations in this appropriation. The impacts of the requested decrements include reduced support for salmon, herring, groundfish and shellfish management and research projects.
- **Replacement of \$1.3 million of UGF with other Fund Sources.**
 - **Replace \$800.0 of UGF with Test Fisheries Receipts (DGF).** This request increases this fund source by almost 26% over the FY16 Management Plan and 129% (\$2.1 million) over the FY15 actual expenditures.

Legislative Fiscal Analyst Comment: In past years, some members of the legislature and the commercial fishing industry have raised concerns about utilizing test fish receipts for non-test fishing purposes for the following reasons:

- Fish taken by Department test fishing operations are removed from the common property fisheries and therefore not available to be harvested in the commercial fisheries. Some believe that this has put the Department in the position of being an “economic competitor” for the common property resource.
 - Some object to test fishing as an “indirect form of taxation” that excludes the users of the common property resource from the fiscal policy decision making process.
 - If fish prices or run sizes decline, the percentage of the resource needed to meet budget allocations increases.
- **Replace \$500.0 UGF with GF/Program Receipts (DGF).** The GF/Program Receipts appropriated in Commercial Fisheries is revenue generated from commercial crew licenses. The FY17 request is \$500.0 (26%) higher than the FY16 Management Plan (and 106% higher than the amount expended in FY15).

Legislative Fiscal Analyst Comment: Based on estimates from the Department, increasing GF/Program Receipt authorization from commercial crew licenses appears to be unsustainable.

- Only about \$2.1 million (84%) of the \$2.4 million GF/Program receipts in the FY17 budget comes from FY17 revenue.
- The remaining \$337.9 is drawn from the \$2.53 million of carryforward from the prior year (FY16).
- If the Department's estimates are accurate (and expenditures remain at the FY17 levels), the reserve balance will fall from \$2.2 million FY17 to \$500.0 in FY22.
- An increase of about \$200.0 to \$300.0 appears to be more sustainable.

4. Sport Fisheries. The UGF budget for Sport Fisheries is 27.6% below the FY16 Management Plan (and 40.2% below the FY15 Management Plan). The significant changes requested for FY17 are listed below.

- **Replace \$1 million UGF with Fish and Game Funds (Other).** The Department is requesting this fund change in order to "maintain services" while facing a UGF reduction.

Legislative Fiscal Analyst Comment: The legislature may want to reconsider this fund change for the following reasons:

- Rejecting the additional F&G Funding should not impact services. Sport Fisheries has (or expects to have) at least 10% "excess" F&G Fund authorization. In FY16, Sport Fisheries expects to leave \$1.8 million of the F&G Fund authorization unexpended.
- Adding \$1 million of F&G Funding to the FY17 budget appears to be unsustainable. If Sport Fisheries revenues and expenditures continue to occur at FY17 levels, the F&G Fund would have a deficit of \$2.1 million by FY22.

Legislative Fiscal Analyst Recommendation: Accept the UGF decrement but reject the addition of the \$1 million of Fish and Game funding. The "excess" authorization in Sport Fisheries should be sufficient to absorb the UGF reduction. The legislature may wish to consider reducing additional F&G Fund authorization to more closely align anticipated expenditures.

- **Replace \$500.0 UGF with Statutory Designated Program Receipts (SDPR) (Other).** According to the Department, Sport Fisheries expects an increase in revenue generated from projects associated with non-governmental agencies in FY17. This funding should allow DFG to fully expend any SDPR collected.

5. Wildlife Conservation: (\$1,000.0) UGF and \$641.8 Pittman-Robertson Funding (Fed). More detail on the Division's UGF budget reductions is below.

- **Replace UGF with federal Pittman-Robertson Funds: (\$641.8) UGF/ \$641.8 Fed Repts.** The Department reviewed all positions that are not charged to federal funds and, in consultation with the federal funding agency, determined that additional positions can be shifted to federal Pittman-Robertson funds. The Department claims that the required 25% match for these positions will come from either Fish and Game Funds or general funds.
- **Reduce Various Projects: (\$358.2) UGF.** According to the Department, the reduction will be implemented across the division and focus on the division's lowest priority projects, which include programs such as wildlife management, wildlife research, and habitat management.

Legislative Fiscal Comment: The vast majority of federal receipts in Wildlife Conservation's budget is derived from Federal Pittman-Robertson Program funding. The Federal Pittman-Robertson (PR) Wildlife Restoration Program derives its receipts from federal excise taxes on the manufacture of guns, firearms, archery equipment, and ammunition. The federal excise taxes collected are distributed to states annually for the propagation and management of wildlife. The State of Alaska receives the maximum allocation of five percent of national tax receipts and the required match is 25 percent from non-federal sources (matching funds can be general funds, Fish and Game Funds, in-kind match and other program receipts). Primarily due to increased sales of firearms and ammunition, PR revenue has increased significantly in recent years.

The funding may be used for the restoration, conservation, management and enhancement of wild birds and wild mammals, and to promote public use and benefits from these resources. Because the specified use of the funding is broad, Wildlife Conservation has had no problem finding uses for the funding.

State match issue. States have two years to identify federal Pittman Robertson funded projects or the federal funding will revert to the U.S Fish and Wildlife Service (USFWS) for use in their Migratory Bird Program. Because the federal funding (which requires a 25% state match) has *increased* significantly over the past few years while appropriations of state funding have *declined* (primarily in the operating budget), Wildlife Conservation is struggling to find sufficient match for all available federal receipts. **Unless about \$567.0 of additional match is received, the Department expects about \$1.7 million of federal Pittman/Robertson funding in the operating budget to revert to the USFWS.**

FY16 Capital Match Issue Update. In FY16, two Wildlife capital projects (totaling \$11.625 million Federal Receipts) were appropriated with only \$1.1 million of the needed \$3.9 million state match—meaning the potential loss of \$8.25 million of federal receipts. Because the Department has since identified \$2.76 million of potential match (see table below), it doesn't expect to lose these federal receipts.

Wildlife Management, Research and Hunting Access Project	Federal	Match
DNR Projects - DNR providing match funds	3,243,750	1,081,250
Afognak Elk - in-kind match from tribal partners	1,710,250	427,563
Moose Habitat Restoration - match from tribal partners	1,000,000	250,000
Porcupine Caribou Research - in-kind match from Yukon Territory (potential)	1,000,000	250,000
Prince William Sound Black Bear - in-kind match from Comm Fish (potential)	500,000	125,000
British Columbia Waterfowl - in-kind match from British Columbia (potential)	500,000	125,000
Data Systems for Wildlife Management - match from DAS CIP	1,500,000	500,000
Totals	9,454,000	2,758,813

- 6. Statewide Support Services – Reorganization of Department Administrative Functions to Achieve Efficiencies: (\$342.2) UGF and (3) PFT Positions.** The Department reorganized administrative functions in the three smaller divisions and Boards Support in FY16 and, as a result, are requesting decrements to reflect savings achieved in the following allocations:

- Administrative Services: (\$142.2) UGF and (2) PFT Positions
- Habitat: (\$100.0) UGF
- State Subsistence Research: (\$100.0) UGF and (1) PFT Position

ORGANIZATIONAL CHANGES

There are no significant organizational changes in the FY17 budget request.

CAPITAL REQUEST

The Governor's FY17 Department of Fish and Game capital budget totals \$4.35 million (\$2.1 million UGF/ \$2.25 million Federal Receipts). Projects requested include:

- **Fairbanks Regional Office Electrical, Telephone System, and Repairs:** \$350.0 UGF;
- **Facilities, Vessels and Aircraft Maintenance, Repair and Upgrades:** \$1 million UGF; and
- **Sport Fish Recreational Boating and Angler Access:** \$3 million [\$2,250.0 Federal Receipts/ \$750.0 GF Match (UGF)].