

February 9, 2010

# Department of Fish and Game: 2010-11 Budget and Policy Overview

---

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Water, Parks and Wildlife Committee

Hon. Jared Huffman, Chair





## Overview of LAO Presentation

---

- Overview of Programs and Activities.
- Funding Overview.
- Issues for Legislative Consideration.



## Program Overview

- Mission Statement.** The mission of the Department of Fish and Game (DFG) is to manage California’s diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public.
  
- Major Programs.** The department’s major programs are summarized in the figure below.

<b>Department of Fish and Game: Major Programs</b>	
<b>Program</b>	<b>Main Activities</b>
Biodiversity Conservation	Conservation, protection and management of fish, wildlife, native plants, and habitat to maintain biologically sustainable populations of species.
Hunting, Fishing, and Public Use	Administration of recreation and commercial fishing regulations (such as bag limits, gear restrictions), monitoring impacts of regulations, and maintaining public uses by conserving and managing game species.
Management of Department Public Lands	Management of hatcheries, wildlife areas, ecological reserves, fish and wildlife laboratories, and public access areas.
Enforcement	Law enforcement (including game wardens), public safety, and hunter education. Focus is on protection of habitat, fish, and wildlife, but wardens also serve as general law enforcement officers.
Communications, Education, and Outreach	Education programs in classroom and community settings of resource conservation.
Spill Prevention and Response	Prevents, minimizes, and responds to oil and other materials spills in marine waters and inland habitats.
Fish and Game Commission	Reviews and sets fish and wildlife management policies, rules, and regulations.



## Program Overview

(Continued)

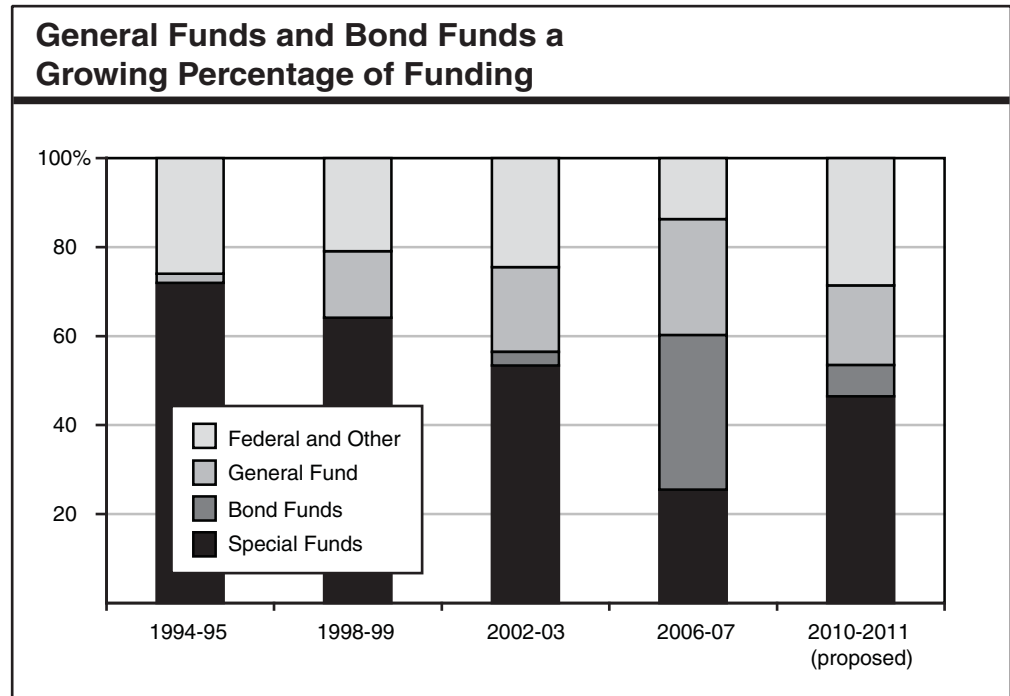


**Activities With a Regulatory Component.** As shown in the figure, many of the department’s activities focus on its role as a trustee agency to preserve and protect wildlife and habitat in the state. This often involves enforcing regulatory compliance, such as with the California Environmental Quality Act, the California Endangered Species Act (CESA), invasive species regulations, the timber harvest plan process, and the Natural Community Conservation Plan (NCCP) habitat conservation planning process.

Selected Activities With a Regulatory Component	
Activity	Description
California Environmental Quality Act (CEQA) compliance	Serves as both a trustee agency and lead agency under CEQA, for projects impacting its jurisdiction over conservation, protection, and management of wildlife, native plants, and habitat.
Federal Energy Regulatory Commission (FERC) licensing	Reviews applications of hydropower generation for licensing by FERC.
Invasive species	Responds and proactively works to reduce invasive species.
Lake and streambed alteration	Determines if proposed activity involving lake or streambed alteration will substantially adversely affect fish and wildlife resources, requiring an agreement to be prepared to comply with CEQA.
Marine fisheries management	Administers marine programs within coastal waters including fisheries and habitat management, environmental review, and water quality monitoring statewide.
Natural Community Conservation Plan process	Works with public and private entities to identify and provide for regional protection of habitat, while allowing compatible uses and economic activity, as a means of complying with the California Endangered Species Act.
Timber harvest plan review	Reviews plans to harvest trees on private or state owned forest land and issues related permits.



## Funding Overview

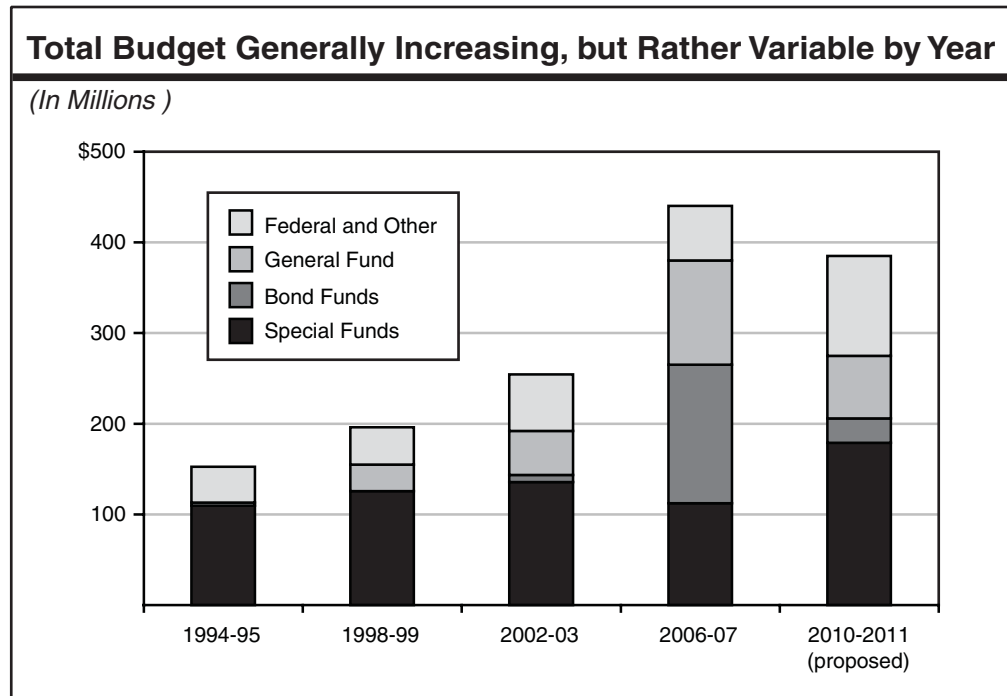


**General Funds and Bond Funds Increasing as Percentage of Budget.** Over the past 15 years, General Fund support as a percentage of the overall departmental budget has increased, from less than 5 percent to over 20 percent. At the same time, bond funds have also increased proportionally, while special funds (including permit fee-based and other regulatory funds) have declined in their relative support of the total budget.



## Funding Overview

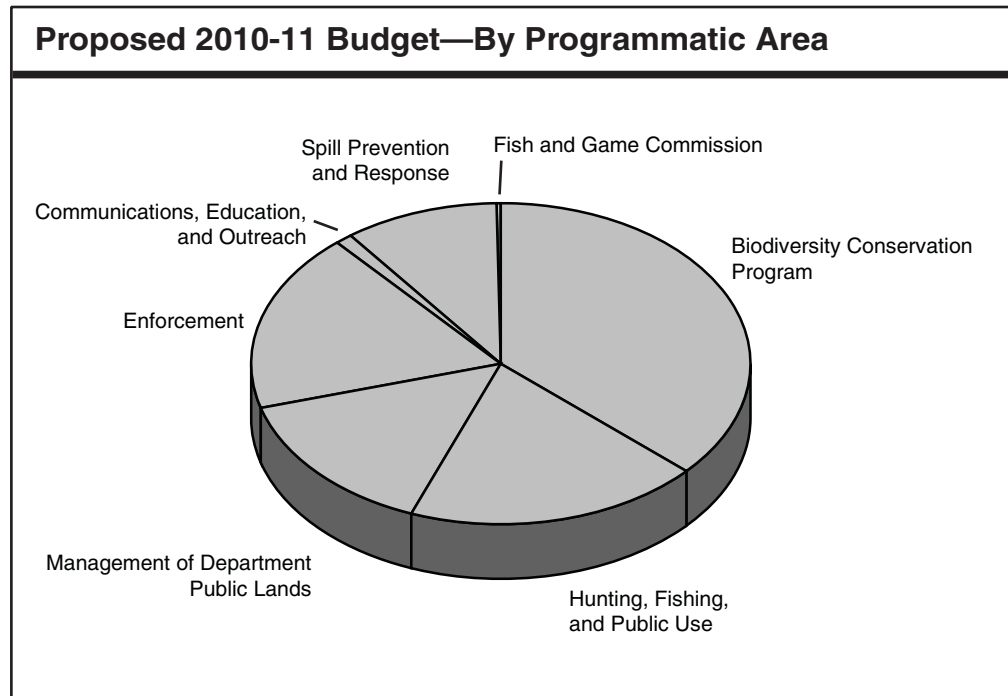
(Continued)



**Overall Budget Generally Increasing, but Variable.** Over the last 15 years, the total budget of the department has generally been increasing. In 2006-07, there was a significant limited-term uptick in bond funding (for ecosystem restoration activities under the CALFED Bay-Delta Program) and in General Fund support (to address structural deficits that had developed in fee-based special funds). The total level of department support from both the General Fund and special funds (there have been some recent fee increases) has generally also been increasing over time. Bond funding has been extremely variable, however.

## Funding Overview

*(Continued)*



- The Governor’s budget for 2010-11 proposes department expenditures totaling \$385 million (not including about \$3 million for capital outlay) from various fund sources. Most of this funding is for species management, permitting, and regulatory compliance. About 18 percent of the department’s budget is to support enforcement efforts mainly of the game wardens.
  
- About \$45 million, or 12 percent, of the proposed total budget is for administration, distributed throughout the programs.



## Other States' Funding Mechanisms

<b>Other States' Funding Mechanisms for Fish and Wildlife Programs</b>		
<b>Mechanism</b>	<b>Revenue Generated Annually</b>	<b>States</b>
General sales tax	Tens of millions of dollars	Missouri, Arkansas
Dedication of sales taxes on outdoor gear	Tens of millions of dollars	Texas, Virginia
Real estate transfer tax	Tens of millions of dollars	Florida, South Carolina
Dedicated lottery funds	Less than \$10 million	Arizona, Colorado



### ***Other States' Funding Mechanisms Tend to Focus on Taxes.***

A recent review by various wildlife-related nonprofit organizations looked at state funding mechanisms for fish and wildlife programs across the nation. In most cases, taxes (in the form of general sales tax or dedicated sales tax) raised the most funding. However, as with any tax, these funds are potentially subject to diversion to other legislative priorities. These funding mechanisms may give the Legislature some ideas should it wish to change the way the department is funded.





## Issues for Legislative Consideration

---



### Disconnect Between Funding Structure and Funding Priorities

- **The Issue:** Most of the department's special and bond funds are restricted in their use to an often narrowly prescribed particular activity. In the past, the department has inappropriately shifted fee-based funds based between accounts in an attempt to meet departmental priorities. While fiscal management has improved in recent years, the underlying problem remains—the current funding structure does not necessarily match current state funding priorities.
- **Questions:** How well does the current funding mix match up to statutory priorities and responsibilities established for the department? Can other state funding mechanisms be used in California?



### Land Acquisition Management Staffing Adequacy

- **The Issue:** The Wildlife Conservation Board (WCB) was established to administer a capital outlay program for wildlife conservation and related public access (including habitat conservation, open space, and watershed protection). The WCB acts as the property acquisition arm of DFG and acquired properties are managed by DFG.
- **Question:** Does the department have adequate staff to manage the recent and proposed future acquisitions?



## Issues for Legislative Consideration

(Continued)



### Voluntary Process Is Driving Protection of the Bay-Delta Ecosystem

- **The Issue:** The department is currently participating in the development of the Bay-Delta Conservation Plan (BDCP), which is intended to both protect the ecosystem and give water exporters authority (under CESA) to continue their exports from the Delta.
- **Question:** The BDCP is a voluntary process. If water exporters are not satisfied with the final plan, they could decide not to agree to the plan or its implementation. If the various parties to the BDCP cannot come to agreement on a final plan, what will the department do to protect endangered species of fish in the Delta?



### Funding the Marine Life Protection Act (MLPA) Over Time

- **The Issue:** The MLPA of 1999 requires DFG to review and improve the existing network of marine protected areas which are designated by law or administrative action in order to protect marine life and habitat. According to the 2005 framework proposal, a "Master Plan" should be completed in 2011 using funding from public and private sources. The budget proposes to use \$4.4 million General Fund to continue the program.
- **Question:** Concerns have been raised that the current program (1) does not provide for sufficient public participation, (2) lacks a strong foundation in science, and (3) lacks a dedicated, stable, ongoing funding source. In particular, enforcement costs of the program down the road have been estimated at nearly 10 times the current budget. What is the department's long-term plan for MLPA implementation?



## Issues for Legislative Consideration

(Continued)



### DFG's Renewable Energy Activity

- **The Issue:** In November 2008, the Governor created, by Executive Order, a division within DFG to work cooperatively with the California Energy Commission to streamline permitting and reduce impacts related to the siting of renewable energy facilities. In the 2009-10 budget, the department proposed and received funding for a two-year program totaling \$6.8 million over two years (mainly from energy reimbursements and bond funds) to create a multispecies regional conservation planning process.
- **Questions:** Where is the department in the process of developing these plans and what is the long-term funding and policy approach for this program?



### Is Performance-Based Budgeting Appropriate for DFG?

- **The Issue:** Performance-based budgeting, tying policy priorities to specific performance measures at a department (such as number of recovered salmon, or number of fisheries closures reduced) can help a department prioritize limited funding. However, when priorities are unclear and/or performance measures are not realistic or particularly meaningful (for example, if they are more "input" oriented than "outcome" oriented), the use of this tool can be problematic and can create additional administrative work for little benefit from a policy and budgeting perspective.
- **Questions:** Should the department adopt performance-based budgeting and, if so, what would the policy priorities be to set the performance goals?



## LAO Funding Recommendations

---



### **Consolidate Fee-Based Funds to Provide More Funding Flexibility**

**(LAO's 2009-10 Budget Analysis Series: Resources and Environmental Protection)**

- **Multiple Fee-Based Funding Sources Makes DFG's Funding Unnecessarily Complex and Inflexible.** As discussed in our 2009-10 budget analysis, we think that the many separate accounts in the Fish and Game Preservation Fund could be consolidated into a single account which would still be used to support fish and game activities, but with greater flexibility and lower administrative costs. This will allow the Legislature greater flexibility in setting funding priorities within DFG's programs, while still supporting the general program goals.



### **Opportunities to Shift Funding From the General Fund to Fees** **(LAO's 2009-10 Budget Analysis Series: Resources and Environmental Protection)**

- **The CESA Review.** The department reviews projects that may impact endangered species under state law. We recommend the enactment of legislation to create a new regulatory fee to fully fund this program, creating General Fund savings.
- **The NCCP Review.** The NCCP Act is an alternative regulatory program to the Endangered Species Act. Currently, this program is supported by the General Fund, as well as various bond funds, special funds, and federal funds. Current law allows a fee to be assessed by the department to recover its costs. Recommend that the Legislature eliminate the General Fund support for this program and direct the department to raise fees sufficient to cover its costs, as state law allows it to do—yielding General Fund savings.