

July 21, 2011

Department of Fish and Game: Budget and Policy Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Fish and Wildlife Strategic Vision,
Blue Ribbon Citizen Commission





Overview of LAO Presentation

- Overview of Programs and Activities.
- Funding Overview.
- Issues for Consideration.
- LAO Funding Recommendations.



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.

Department of Fish and Game: Major Programs	
Program	Main Activities
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

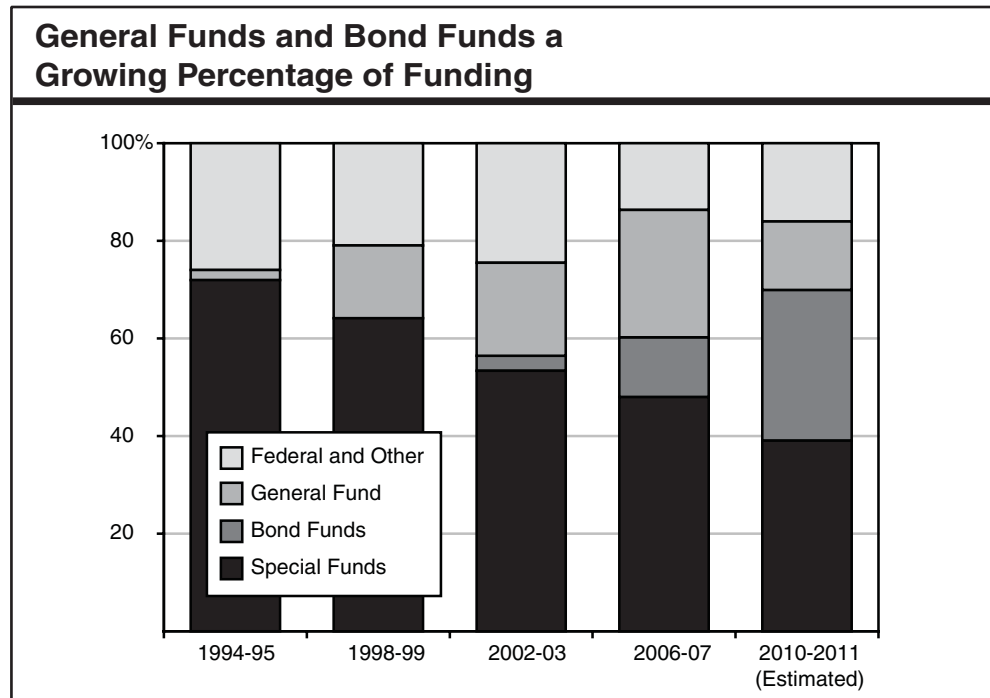
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Activities With a Regulatory Component. As shown in the figure, many of the department’s activities focus on its role as a trustee agency to preserve and protect wildlife and habitat in the state. This often involves enforcing regulatory compliance, such as with the California Environmental Quality Act (CEQA), 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



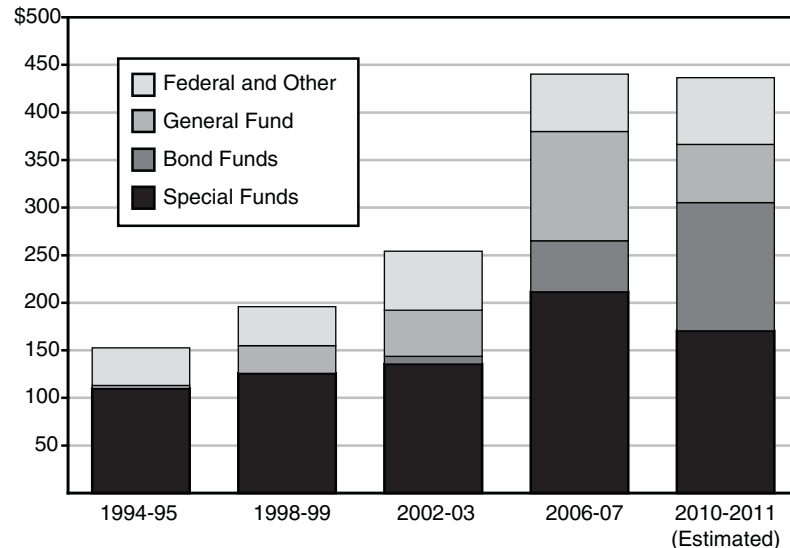
General Funds and Bond Funds Increasing as Percentage of Budget. Over the past 15 years, General Fund support as a percentage of the overall departmental budget has increased, from less than 5 percent to as high as 26 percent. (It is currently at 14 percent.) At the same time, bond funds have also increased proportionally, while special funds (including permit fee-based and other regulatory funds) have declined in their relative support of the total budget.

Funding Overview

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Total Budget Generally Increasing, But Rather Variable by Year

(In Millions)

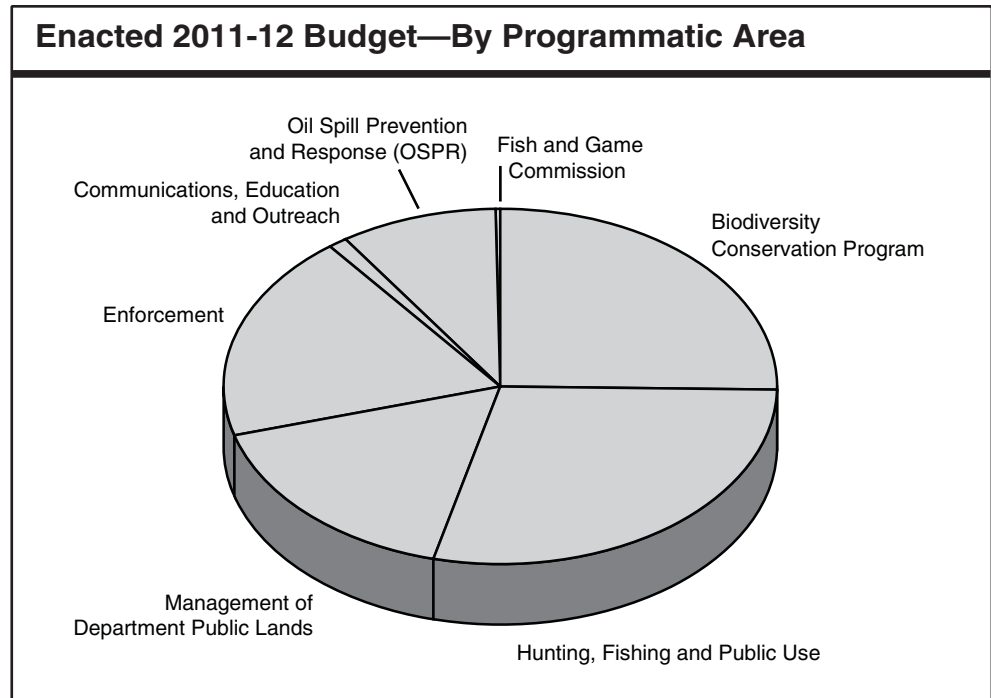


✓ **Overall Budget Generally Increasing...** Over the last 15 years, the total budget of the department has generally been increasing. In 2006-07, there was a significant limited-term uptick in bond funding (for ecosystem restoration activities under the former CALFED Bay-Delta Program) and in General 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.

✓ **... But Bond Spending Is Highly Variable.** Bond spending on a year-by-year basis is extremely variable, as available funds from previously authorized bond measures are drawn down over multiple years. The most recent bond measure allocating funds to DFG is Proposition 84 from 2006. Most of these (and prior) bond funds have already been appropriated to DFG. The enacted 2011-12 budget includes only about \$9 million in new bond funding to DFG.

Funding Overview

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- The recently enacted 2011-12 budget authorizes department expenditures totaling \$386 million (not including about \$2 million for capital outlay) from various fund sources. Most of this funding is for species management, permitting, and regulatory compliance. About 19 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

Other States' Funding Mechanisms for Fish and Wildlife Programs

Mechanism	Revenue Generated Annually	States
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.
- LAO Requested to Examine Models in Other States.** As part of the Strategic Vision effort, Assembly Member Huffman has asked the LAO to broadly describe and categorize the organization, scope of responsibilities, funding, and performance of fish and wildlife agencies in other states. Several other states facing similar fish and wildlife management challenges to California, but with varying institutional responses, will be examined in greater depth as case studies.



Issues for Consideration



Multitude of Mandates and Responsibilities, With No Clear Priorities

- **The Issue:** Over the years, the department's statutory responsibilities have increased significantly. The department's current mission requires managing the state's fish, wildlife, and plant resources toward two ends: maintaining their ecological values and their use by the public. In many cases, both objectives can be met through the same programs. In other cases, some activities to promote one objective can undermine activities to promote another.
- **Questions:** The LAO and the Bureau of State Audits have raised concerns that the department does not have a clear set of priorities to guide its allocation of fiscal resources among its multiple objectives. How does the department choose between objectives when they conflict? What should the primary mission of the department be? Given funding constraints, how does the department decide to allocate resources among priorities?



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 specific activity. In the past, the department has inappropriately shifted fee-based funds between accounts in an attempt to meet departmental priorities. Fiscal management has improved significantly in recent years, and the establishment of a Big Game Management Account (a consolidation of several small accounts) in the 2011-12 budget is a positive development. However, 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? To what degree do the department's funding sources drive expenditure priorities? Can other state funding mechanisms be used in California?



Issues for Consideration

(Continued)



Adequacy of Land Management Staffing and Funding

- **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. The DFG also manages some lands pursuant to agreements with other public and private entities and can be the “manager of last resort” when private or non-profit mitigation land management organizations fail.
- **Questions:** Does DFG have adequate staff to manage the recent and proposed future acquisitions? How can the department’s financial exposure as manager of last resort for CEQA mitigation lands be minimized while ensuring the continued management of these lands?



Multiple Processes Affect DFG’s Activities in 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. In addition, the newly-created Delta Stewardship Council is developing a Delta Plan that could potentially alter the scope of DFG’s activities in the Delta.
- **Questions:** The BDCP is a voluntary process. 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? Also, the forthcoming Delta Plan may recommend or require additional consultative duties on the part of DFG, among other responsibilities. What are the department’s expectations about its future role in the Delta, and how is the department preparing for that role?



Issues for Consideration

(Continued)



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. Two of five regions have regulations in place. Planning and regulatory processes are underway for the remaining three regions. The 2011-12 budget allocates \$4.4 million General Fund to continue the program.
- **Questions:** We have raised concerns that the current program lacks a dedicated, stable, ongoing funding source. In particular, enforcement costs of the program down the road have been estimated at nearly ten times the current budget. What is the department's long-term plan for MLPA implementation?



Planning and Evaluation of DFG's Activities

- **The Issue:** The department issued a strategic plan in 1995 and has issued updates periodically. The plan identifies goals and strategies to meet those goals, but the plan's impact on the activities of the department is unclear. In addition, prior LAO analyses have identified a lack of evaluation of the effectiveness of those strategies and of the department's activities generally. The department has historically had difficulty providing information to the Legislature on the workload it is accomplishing, making it difficult to determine the extent to which the department's many statutory responsibilities are being fulfilled and what resources it is using to do so.
- **Questions:** Funding constraints and the inherent difficulties in measuring environmental outcomes pose challenges to DFG in its planning and evaluative functions. Working within these constraints, what steps can the department take to improve its planning and evaluation of its activities? How does the department currently use its strategic plan?



Issues for 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 (CEC), federal permitting agencies, and energy project developers to streamline permitting and reduce impacts related to the siting of renewable energy facilities. This process, the Desert Renewable Energy Conservation Plan (DRECP), is an NCCP and is largely funded through a contract with CEC. Some of the components of DRECP that are intended to streamline the process include an advanced mitigation program and an in-lieu fee program. Under the advanced mitigation program, DFG plans to purchase mitigation lands in advance of receiving fees for the purchase of the land. The in-lieu fee program allows energy developers to pay the department to purchase and manage mitigation lands, theoretically avoiding the need for a third party to acquire mitigation lands.
- **Questions:** Utilization of the advanced mitigation program and the in-lieu fee has been limited to date. What obstacles exist to these programs, and should policy changes be made to address them? What is the long-term funding and policy approach for DRECP?



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 Natural Communities Conservation Planning 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, special, and federal funds. Current law allows a fee to be assessed by the department to recover its costs. We 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.