

**STATE OF NEW HAMPSHIRE
FISH AND GAME DEPARTMENT**

SUMMARY

Purpose And Scope Of Audit

This audit was performed at the request of the Fiscal Committee of the General Court consistent with the recommendation of the joint Legislative Performance Audit and Oversight Committee. It was conducted in accordance with generally accepted government auditing standards applicable to performance audits. The purpose was to assess the efficiency and effectiveness of New Hampshire Fish and Game Department (F&G) operations. To focus our efforts, we identified declining revenue streams and associated programming. Consequently, programs funded by diminishing revenue streams received the most attention during our audit.

In State fiscal year (SFY) 2007, the F&G's original budget as enacted was \$25,789,856, comprised of \$5,128,436 federal funds, \$8,590,488 other funds, and \$12,070,932 Fish and Game funds. The actual expenditures were \$23,417,263 comprised of \$5,206,943 federal funds, \$7,427,372 other funds, and \$10,782,948 Fish and Game funds.

Background

Historically, state fish and wildlife agencies depended on user fees, including state hunting and fishing licenses, as a major source of revenue. However, nationwide decreases in hunting, fishing, and trapping participation, which are attributed to demographic and social changes, combined with increased fish and wildlife agency responsibilities are straining this once successful revenue source.

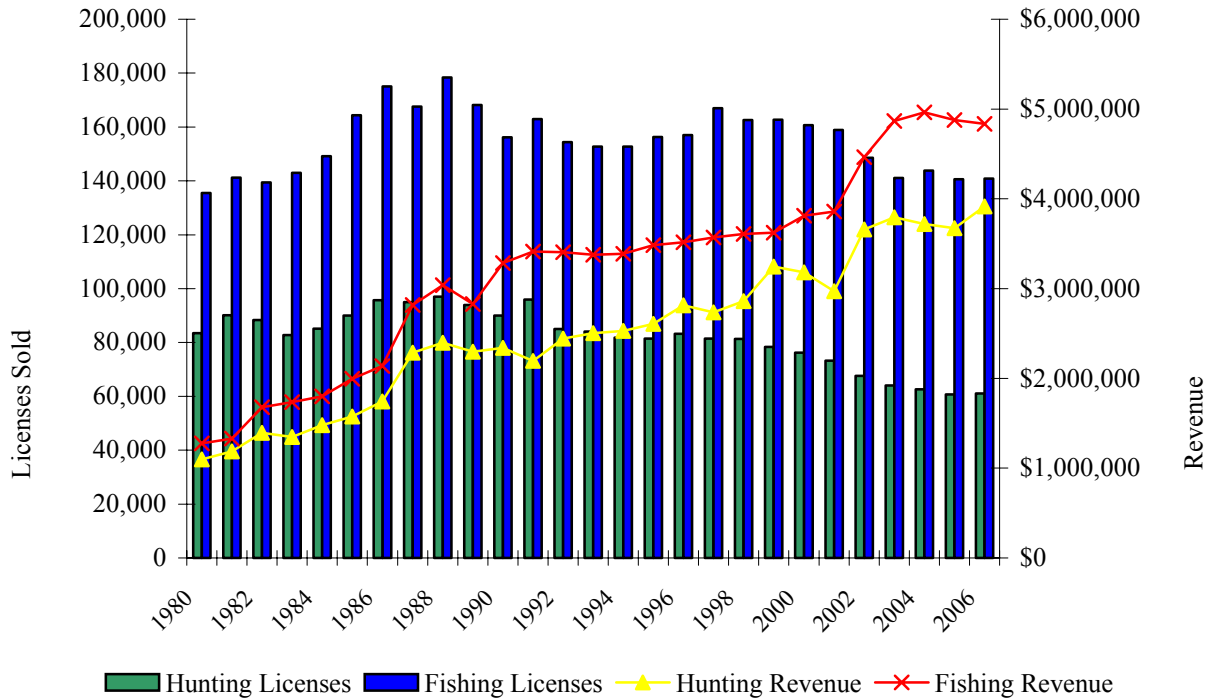
A 2006 U.S. Fish and Wildlife Service (USFWS) national survey of fishing, hunting, and wildlife associated recreation found, while the number of sportspersons is declining, millions of Americans continue to enjoy wildlife recreation. According to this national survey, 839,000 New Hampshire residents and non-residents over the age of 16 fished and hunted or watched wildlife in the State. Fourteen percent of New Hampshire residents over the age of 16 took part in hunting or fishing, while 45 percent took part in wildlife watching. The 2006 national survey also reports wildlife recreation expenditures for non-residents and residents over the age of 16 in New Hampshire totaled approximately \$560 million. Fishing and hunting expenditures accounting for \$287 million and wildlife watching \$273 million. Additionally, F&G surveys found more than 90 percent of New Hampshire residents have a medium to high interest in wildlife.

While hunting and fishing remain popular activities in New Hampshire, the number of licenses sold is declining. Department managers report hunting and fishing activities will likely continue decreasing while other outdoor activities increase in popularity. Declining numbers of hunting and fishing licenses sold is a significant concern to the Department, as license revenue accounts for a considerable portion of the agency's revenue, approximately 41 percent in SFY 2007. Figure 1 shows trends in hunting and fishing license sales from 1980 to 2006. The Department saw a surge in the number of hunting and fishing licenses sold in the mid-1980s, with a general trend downward through 2006. The figure also includes trends in hunting and fishing revenues

from 1980 to 2006. While license revenues have generally increased since 1980, primarily as a result of license fee increases, in recent years revenues have been flat.

Figure 1

Hunting And Fishing Revenues And Licenses Sold, Calendar Years 1980-2006



Note: Revenues include a one-dollar agent fee for each license sold.
 Source: LBA analysis of USFWS and F&G data.

Operating expenses increased considerably over the audit period, including information technology, retiree medical insurance, employee benefits, and utility costs. From SFY 2002 to 2007 retiree health insurance increased 109 percent from \$455,688 to \$950,371, employee benefits increased 57 percent from \$2.3 million to \$3.6 million, and utilities increased 38 percent from \$237,720 to \$327,679. Retiree health insurance is budgeted at \$1.08 million in SFY 2008 and \$1.2 million in SFY 2009. According to the Department, information technology expenses increased significantly in SFY 2005. Information technology related expenses increased 110 percent from \$314,528 in SFY 2004 to \$660,092 in SFY 2007 and are projected to increase to \$715,454 in SFY 2008 and \$731,259 in 2009, primarily as a result of shared cost allocations from the Office of Information Technology.

Historically, the Department increased hunting and fishing license fees to boost revenues. In August 2001, the Department identified an impending funding issue. While most revenue sources remained stable, license fee revenues have been flat since 2003 and have not kept pace with increasing operational expenses. The Department requested, and the Legislature passed, increased hunting and fishing license fees in 2002 and 2003. The increased license fees only generated about half the amount of revenue the F&G anticipated.

The Department reports further increases in hunting and fishing license fees is not an option for raising revenues because license fees are at threshold levels, deterring certain participants from purchasing a license, as suggested by the negative impact of 1998, 2002, and 2003 price hikes on the number of licenses sold compared to previous price hikes. Increasing license fees involves a balance between increasing revenues and losing participants. Compared to other New England states in 2007, New Hampshire had the most expensive resident fishing license, and ranks the second most expensive for most major hunting licenses. Price increases relative to major license types occurring during the audit period and calendar year 2007 are detailed in Appendix C. Fees for most major licenses increased nearly 50 percent between 1998 and 2007.

When the 2002 and 2003 license fee increases did not generate necessary revenues, Department efforts focused on various cost-saving measures intended to slow impending financial problems. Included in these efforts were deferring equipment purchases, closing the Department vehicle maintenance garage, abolishing 14 full-time positions, holding vacancies open for longer time periods, refocusing license marketing efforts, and offering on-line license sales to improve efficiency. To increase revenues, the Department also created a one-day resident fishing license, increased the black bear permit fee, and created a special fall turkey permit. During the 2006 Legislative session, the Department successfully sought legislation allowing the creation of a non-profit foundation to solicit and accept donations, in addition to legislation allowing the Department to enhance its donation program. However, significant structural changes to the funding base were not proposed until the 2007 Legislative session in conjunction with the budget session. During the 2007 session, the Department, with the support of the Fish and Game Commission, pursued the funding initiatives shown in Table 1 below.

Legislation passed in the 2007 session dedicates new revenue and redirects previously restricted revenue (in dedicated accounts) to unrestricted revenue (Fish and Game fund), which the Department may use to support general operations. Specifically, Chapter 375, Laws of 2007, provided the Department with unrefunded road tolls and in September 2007, \$705,633 was transferred to the Fish and Game Fund. Additionally, Chapter 263, Laws of 2007, requires the F&G deposit all moose, bear, turkey, and waterfowl fees from July 1, 2007 through December 31, 2008 to the Fish and Game fund. Beginning January 1, 2009, \$10 from each sale will be transferred to the Game Management account. The Department estimates \$919,857 in dedicated account revenue will be redirected as unrestricted Fish and Game fund revenue for SFY 2008 and \$587,617 for SFY 2009 from these initiatives. Chapter 263, Laws of 2007, requires a regulatory change to increase moose application and permit fees and turkey license fees, which the F&G estimates will generate an additional \$193,800 in moose related fees and \$157,895 in turkey fees. The Department also received an additional \$87,395 in General Funds for SFY 2008 and 2009 for nongame management.

Table 1

Fish And Game Proposed Funding Initiatives For The 2007 Legislative Session

Fish And Game Proposed Legislation, 2007 Session	Bill Number	Estimated Revenue	Status
Passed			
Dedicate a portion of unrefunded road tolls to the F&G	HB 498	\$645,834 ¹	Passed
Establish a game management account by combining the bear, moose, turkey, and waterfowl dedicated accounts	HB 623	None ²	Passed
Increase wild turkey hunting license fee	HB 570	\$134,470	Amended And Passed Under Chapter 263:64, Laws of 2007 ³
Did Not Pass			
General funding for the search and rescue operations	HB 433	\$200,000	Inexpedient To Legislate
A recreational saltwater license for fishing marine species	HB 527	\$1,000,000	Report Filed
Distribute certain meals and rooms tax revenue to the Fish and Game Fund	HB 376	\$4,745,000	Inexpedient To Legislate
Allowing an annual auction of moose hunting permits	HB 871	\$30,000-\$50,000	Inexpedient To Legislate
Require non-motorized vessels to display conservation decals	SB 255	\$1,575,400	Inexpedient To Legislate
Establish an apprentice hunting license	SB 175	Unknown	Inexpedient To Legislate
Increase matching General Funds for nongame species	SB 191	\$300,000	Died On The Table ⁴

Note: ¹Actual revenue received was \$705,633 in September 2007.

²Annual administrative fees reduced by \$24,266, and redirects dedicated account revenue to the Fish and Game fund.

³Amended and passed under HB 2.

⁴Chapter 262, Laws of 2007, (HB 1) included \$87,395 in additional General Funds for nongame species.

Source: LBA analysis of F&G information and legislation.

The Department reports these additional appropriations will fall short of funding program expenses in each of SFYs 2008 and 2009 by approximately \$750,000, resulting in reduced programming. The Department reports it may: not pay organizational dues, reduce out-of-state travel, reduce overtime, discontinue direct marketing campaigns, reduce advertising by 45 percent, discontinue promotional literature, discontinue the *Wildlife Journal* television show, and cancel *Wild New Hampshire Day*. Additionally, the F&G reports it will continue to defer routine maintenance and equipment replacements.

Results In Brief

Since 1935, the F&G has shifted from an agency primarily responsible for fish, game, and fur-bearing animals to one that is responsible for all wildlife, as well as public boat access, search and rescue, and off-highway recreational vehicles (OHRV) and snowmobiles. While the number of the Department's traditional constituents has been declining since the 1990s, non-traditional

users benefit from the Department's efforts to conserve and protect wildlife species and habitats. New Hampshire's situation mirrors national trends.

Our audit recommends consideration of new revenue sources, pursuit of additional federal revenues, as well as efficiencies. Specifically, we recommend the Legislature consider a recreational saltwater fishing license and a non-motorized watercraft decal as potential sources of additional revenue. We also recommend the Legislature consider a more equitable method for funding search and rescue operations by charging user groups or allocating a portion of the meals and rooms tax revenue for operations due to the number of out-of-state hikers rescued annually.

We found the F&G's federal funding is similar as a percent of revenue compared to surrounding states. However, we found the F&G Federal Aid Coordinator does not proactively seek new federal funding opportunities due to reported time constraints. We identified possible opportunities for the F&G to consider. We also found the federal aid function could benefit from better coordination and more centralization.

We found the general functions of the F&G are assigned to the agency most adequately prepared and equipped to administer them, and most areas of overlap are well coordinated through memoranda of understanding (MOU) or memoranda of agreement (MOA) with other agencies. However, we recommend better coordination with the Department of Resources and Economic Development for marketing to out-of-state residents and the State Police for dispatching services. Due to the importance of coordinating with other agencies, we recommend the F&G ensure all MOUs and MOAs receive timely Office of the Attorney General review and Governor and Council approval.

Despite the F&G's broadened focus and expanded constituent groups, we found the needs and perspectives of the expanded constituent groups are not well represented on the Fish and Game Commission or integrated into policy decisions. We found the Commission's role has diminished over time and it has inconsistent and unclear oversight authority. We recommend the Legislature redefine the Commission as an advisory body, change the name of the F&G, and broaden representation on the Commission. We also recommend establishing a study commission to review and recommend a long-term direction for the Department.

We found the F&G needs comprehensive planning. The strategic plan adopted in 1998 does not identify Department priorities; therefore, the F&G cannot ensure each Division's priorities support Department priorities. We found placing Division chiefs within the classified State service system is inconsistent with the structure of other State agencies and should be restructured to improve management cohesion. Despite its heavy reliance on unrestricted Fish and Game funds, the Public Affairs Division does not have a comprehensive written operating plan to implement Division priorities and does not collect sufficient information to determine cost effectiveness of its programs. Some Public Affairs Division efforts support dedicated account programs but related personnel expenses are not charged to those accounts.

We found some functions within the F&G should be restructured to improve efficiency. Fleet, OHRV, and snowmobile management could benefit from centralization and strengthened controls. We recommend centralizing fleet management responsibilities; implementing better

controls over vehicle repairs and maintenance; and establishing motor vehicle, OHRV, and snowmobile pools. We also recommend the Department discontinue the practice of assigning vehicles, OHRVs, and snowmobiles on a full-time basis to part-time personnel.

The Law Enforcement Division should review its management structure. We found a higher supervisory ratio compared to surrounding states. To more functionally align the Department's programming and reduce administration cost, the F&G should move OHRV and snowmobile training and education to the Public Affairs Division and assign a civilian administrator.

Our audit presents 30 observations, 17 related to management organization and controls and 13 related to revenue enhancement and efficiencies:

Management Organization And Control

- Four observations address re-organization of the Department's management structure.
- Three observations recommend the Department strengthen agency planning and prioritization.
- One observation recommends the Legislature establish a study commission to establish long-term direction for the F&G.
- Two observations recommend closer coordination with other State agencies.
- One observation recommends centralizing authority for tracking maintenance and repairs.
- Six observations recommend policies and procedures to strengthen other Department functions.

Revenue Enhancement And Efficiencies

- Three observations recommend the Legislature consider new funding sources for the Department.
- One observation recommends the F&G proactively pursue additional federal revenues.
- One observation recommends reviewing the Law Enforcement Division's structure.
- One observation recommends transferring OHRV training and education to the Public Affairs Division.
- Four observations recommend the Department assess utilization and pool or surplus excess motor vehicles, OHRVs, and snowmobiles.
- Two observations recommend strengthening controls over procurement of services for the Department's fleet.
- One observation recommends establishing a cost allocation plan for Public Affairs time spent supporting dedicated accounts.