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## FISCAL IMPACT REPORT

SponsorOR: Stewart DATE TYPED: 01/28/02 HB 6/aHGUAC

SHORT TITLE: Department of Game & Fish Appropriations Act SB \_\_\_\_\_

ANALYST: Valenzuela

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$225.0			Recurring	General Fund
	\$8,383.8			Recurring	Federal Funds
	\$19,714.0			Recurring	Game Protection Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in The General Appropriation Act Section 4 for Department of Game and Fish

Conflicts with House Bill 30

### SOURCES OF INFORMATION

- *Report of the Legislative Finance Committee to the Forty-fifth Legislature, Second Session, January 2002 for Fiscal Year 2002-2003, pp 369 - 380.*
- Department of Game and Fish

### SUMMARY

#### Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee amendment to House Bill 6 adjusts the federal funds recommendation down and adjusts the other revenue upward to reflect a more conservative projection of federal funding. This amendment is revenue neutral resulting in no change in total budget. The second amendment increases the budget by \$70.6 and 1.0 FTE to be paid for by the Game Protection Fund for a staff attorney. The appropriation table above reflects the changes due to the amendment.

Synopsis of Original Bill

House Bill 6 appropriates \$28,252.2 from the general fund, game protection fund and federal funds to the Department of Game and Fish (DGF) for its FY03 operating budget. The bill reflects the Legislative Finance Committee (LFC) budget recommendation for the department. This is the first year for DGF to be involved in performance-based budgeting.

Significant Issues

The DGF FY02 operating budget includes a nonrecurring \$1.3 million for capital improvements. Excluding the nonrecurring amount, the base budget request reflects a 6.1 percent increase over FY02. The LFC recommends a 1.3 percent increase in the base budget. With the recommended base expansions, the total recommendation is 1.7 percent over the current operating budget, less nonrecurring items. The recommendation also increases staff positions by 3 FTE.

**FISCAL IMPLICATIONS**

This bill appropriates \$28, 252.5 for the FY03 operating budget: \$225.0 in general fund, \$9,632.6 in federal funds and \$18,394.6 from the game protection fund. The following information is relevant to a discussion of this bill.

**Revenues and License Sales.** The table below presents number of licenses sold and associated revenue for the license year beginning April 1. Revenue per resident license sold dropped slightly from \$12.02 in 1999 to \$11.90 in 2000 but increased from \$25.51 to \$26.70 for nonresidents over the same period. Overall, revenue was down by \$260.0 or 3 percent. The decrease resulted generally from weakness in fishing licenses sales. Two factors that contributed to the decrease were drought conditions, which reduced the water levels in lakes and streams, and the extensive fires throughout New Mexico's wilderness areas.

	DGF Licenses Sold		DGF License Revenues	
	1999	2000	1999	2000
Total Resident	434,726	419,953	5,227,433	4,999,821
Total Nonresident	<u>135,107</u>	<u>127,912</u>	<u>3,447,142</u>	<u>3,415,099</u>
Total	569,833	547,865	8,674,575	8,414,920

**Cash Balances of Game Protection Fund.** Despite a slight drop in revenues, the game protection fund continues to show a healthy cash balance. As of July 2001, the cash balance was \$1.8 million higher than the same month a year ago, although a variety of obligations against the fund could drop the cash to a substantially lower amount. If the state acquires Eagle Nest Lake, \$5 million of game protection funds will be used toward the purchase price. Yet, after paying these obligations and keeping a 15 percent reserve level, the fund would continue to show close to \$11 million. The unobligated cash balance represents an opportunity for the department to fund a

higher portion of the Eagle Nest Lake acquisition or pursue more habitat improvement projects on acreage its manages throughout the state.

<b>Game Protection Fund</b>	<b>FY00 Actuals</b>	<b>FY01 Actuals</b>	<b>FY02 Estimated</b>
Beginning cash balance	\$ 20,456,706	\$ 22,896,746	\$ 20,583,348
Revenues	27,285,254	25,238,845	25,705,171
Expenditures	(20,313,104)	(22,104,075)	(22,017,100)
Other items impacting cash	(3,032,110)	(2,448,168)	(3,621,000)
Ad			
Cash restrictions and obligations	(1,500,000)	(3,000,000)	(3,750,000)
Cash reserve requirement			(6,000,000)
Unobligated cash	\$ 22,896,746	\$ 20,583,348	\$ 10,900,419

## PERFORMANCE IMPLICATIONS

The information below is excerpted from the LFC budget document.

The department's transition to performance-based budgeting will improve its transparency to the general public. The original organizational structure consolidated the majority of the operations under the game protection fund, while separating out activities that had minimal funding, such as the Share with Wildlife and Endangered Species programs. The new program structure closely links similar activities together. The four programs are the Sport Hunting and Fishing Program, the Conservation Services Program, the Wildlife Depredation and Nuisance Abatement Program, and Program Support. One of the LFC's concerns is that the department has not created a Law Enforcement or Public Safety program. The department chose not to adopt this committee recommendation because the Department of Finance and Administration had recommended fewer programs.

The U.S. Fish and Wildlife Service (FWS) has developed a good performance model that could prove applicable for the department goals. The model is particularly strong for habitat improvement, which is a weak area for the DGF. The purpose statement for the Conservation Services Program is not aligned with its statutory mission, which is the management, enhancement, research and conservation of public wildlife habitat. In fact as written, the purpose statement places the responsibility of habitat improvement on stakeholders rather than the department. The impact of misaligned strategy is evident in the performance measures. The measures address output of the program activities, such as number of habitat projects completed in partnership with stakeholders or the number of consultations provided to stakeholders. Though good measures, none provides an assessment of how much habitat has been improved through direct or indirect involvement from the department. The table below provides further examples of measures that could be more meaningful for the department.

Program	Example Measures
Sport Hunting and Fishing	<ul style="list-style-type: none"> <li>▪ A measure matching fish and wildlife management to sport hunting and fishing demand.</li> <li>▪ Number of hunting accidents.</li> <li>▪ A measure identifying the cost of fish propagation.</li> <li>▪ Number of fish stocked in XX acres of waters.</li> </ul>
Conservation Services	<ul style="list-style-type: none"> <li>▪ Number of wetlands acres enhanced to XX percent over historical baseline.</li> <li>▪ Number of miles where riparian or stream areas have been enhanced by XX percent over historical baseline.</li> <li>▪ A measure detailing the effectiveness in mitigating or preventing damage to fish and wildlife populations by invasive species.</li> </ul>
Wildlife Depredation and Nuisance Abatement	<ul style="list-style-type: none"> <li>▪ Property value loss due to wildlife depredation (in acres, crop assessment, and livestock).</li> <li>▪ Ratio of property value loss to cost of remediation efforts.</li> <li>▪ Number of depredation and nuisance complaints.</li> </ul>

## OTHER SUBSTANTIVE ISSUES

The information below is excerpted from the LFC budget document and relevant to this bill.

**Big Game Depredation Fund**. Enactment of Senate Bill 758 in 2001 authorized the department to begin collecting an additional license fee of \$5 for residents and \$10 for nonresidents. The department estimates new revenue of \$500.0 in FY02 and will use the funding to complete three proposed projects. The three projects -- one in Reserve the area, one in the northwest and one in the northeast -- will address the most problematic cases in the state. For its FY03 request, the department requested the same amount. The committee supports full funding of this request.

**UU-BAR Ranch Road Closure and Litigation**. A state court has under advisement the matter of *State of New Mexico and State Game Commission v. UUBar Limited Partnership, et al.* This trial involves a quiet title action filed by the Attorney General to reclaim the state's interest in a 2.6 mile road in Colfax County outside of Raton. The ranch has closed the road to public access. The road was once a part of the Old Santa Fe Trail and was once state highway 21/199 but the State Highway Commission deeded it to the State Game Commission. It is the only northern access to state trust lands in the White's Peak area. The ranch argued that when the State Game Commission failed to maintain the road, it relinquished its right to the access, and thus, the company nullified its agreement to allow public access. Though the case has yet to be decided, the policy implications are serious because this is the first time litigation has resulted from a ranching company shutting off access to a public road that runs through ranch land or state land leased by a private entity.

**Chronic Wasting Disease**. This summer, chronic wasting disease was discovered on game ranches in Colorado. The incurable disease, similar to mad cow disease, afflicts elk and deer. Eradication of diseased animals is the only recommended solution to prevent the spread of the disease. Unfortunately, the only manner to determine if an animal has the disease is to sample

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tissue from the brain stem, which requires that the animal be killed. A gaming ranch in southwestern New Mexico purchased and transported to the state 15 elk from a ranch in Colorado that

had infected animals. According to the agency, the transport met all department regulations and was based on a clean health certificate. The department learned that the Colorado ranch tested positive for the disease shortly after the transport. As a result, DGF banned imports of elk from those states where the disease has been found. It also reimbursed the New Mexico rancher \$37.5 for the 15 elk it had to eradicate. The department argues the elk industry in New Mexico generates an estimated \$30 million a year, making the purchase of the diseased elk a sound investment. Hunters, who provide considerable revenue to the game protection fund, however, have argued that ranches that propagate game should shoulder the entire level of risk. According to the agency, the issue highlighted a weakness in its statute, which is silent on the issue of paying producers for eliminating a portion of their herd for the protection of wildlife and, potentially, public health. The department may seek legislation to outline its response in these cases.

**Acquisition of Eagle Nest Lake.** During the 2000 legislative session, \$4 million was appropriated from the game protection fund for the lease and purchase of Eagle Nest Lake. The legislation also authorized the department to pursue acquisition on behalf of the state. The following year, the Legislature appropriated \$17 million to complete the purchase; however, the governor vetoed the entire capital appropriations bill, which included the funding for Eagle Nest Lake. Originally, the state had an eight-year option to purchase the lake, whereby the CS Cattle Company would lease the lake to the state during that period of time. However, a recent agreement signed by the State Game Commission deleted the eight-year option and extended the lease only until March 31, 2002. Consequently, if funding is not appropriated in the 2002 legislative session, the lease will expire.

**New Headquarters Building for Game and Fish Department.** The department recently moved into its new headquarters building located in Santa Fe just off of NM 599. Cost of construction of \$6,925.0 was paid with \$2 million in severance tax bond proceeds, \$1,500.0 from the game protection fund, \$1,500.0 game and fish bond interest and retirement fund, and \$1 million from federal funds. The Legislature appropriated the remaining \$925.0 for the computer network and infrastructure from the game protection fund. The original building plans were modified to substitute modular panel systems for hard wall offices. According to the department, this modification did not greatly decrease initial construction costs, but provided flexibility in the configuration of the interior of the building.

MFV/ar/njw