



**House
Legislative
Analysis
Section**

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CAP GAME AND FISH TRUST FUND

**House Bill 4912 as enrolled
Public Act 50 of 2001
Second Analysis (7-9-01)**

**Sponsor: Rep. Larry DeVuyst
House Committee: Conservation and
Outdoor Recreation
Senate Committee: Appropriations**

THE APPARENT PROBLEM:

The Game and Fish Protection Fund, which is administered by the Department of Natural Resources (DNR), is the primary source of funding for the state's hunting and fishing programs. Expenditures from the fund can only be used to enforce fish and game laws, and for related educational and support services and administrative costs. Together with a small amount of federal funds, the game and fish fund provides the DNR's entire budget for its Fisheries and Wildlife divisions, and most of the budget for the Law Enforcement Division. Most of the money in the fund (approximately 80 percent) comes from the sale of hunting and fishing licenses, with the remainder derived mainly from income from state-owned lands acquired with game and fish fund money. The fund also receives money from the interest and earnings of the Game and Fish Protection Trust Fund. In the current fiscal year, this accounted for eleven percent of the money in the fund. The protection fund, however, has both short- and long-term problems.

One continuing problem for the department has been that, being based primarily on fixed license fees, income from the Game and Fish Protection Fund remains relatively constant while the costs of the programs it funds continue to rise with inflation. This combination of fixed fees and the effects of inflation results in periodic budgetary shortfalls, followed by periodic license fee increases. In testimony presented to the House committee, the director of the DNR reported that the department has faced revenue shortfalls for the past two years. In August of 1999, the Natural Resources Commission Policy Committee on Finance and Administration was informed by the department that, if current revenue trends continued and costs continued to escalate, there would be a deficit balance in the fund by the close of the 2000-2001 fiscal year. In fact, the department's revenues were reduced by \$9.2 million in fiscal year 2001-2002. In response, the department

restricted some programs, thereby saving \$8.2 million. Changes are also planned for the Wildlife Division, which should save another \$1 million. Other reductions, totaling \$3.6 million, have been proposed. The department has also postponed filling several vacant positions. The process for increasing license fees, which were last increased in 1997, has been set in motion. However, even with these reductions, the department estimates that the Game and Fish Protection Fund will be exhausted by 2003.

According to testimony provided to the House committee by the department, the balance in the trust fund at the end of the current fiscal year will be \$90,495,200. In order to avoid exhausting the Game and Fish Protection Fund, it has been proposed that more money be withdrawn from the Game and Fish Protection Trust Fund. It is proposed that up to \$6 million be transferred from that fund to the Game and Fish Protection Fund. The department estimates that this would help with projected shortfalls through fiscal year 2006-2007. Consequently, an increase in license fees, beyond those provided for the current fiscal year, could be avoided. In addition, it is proposed that a work group be established to explore new sources of long-term financial support for game and fish protection programs.

THE CONTENT OF THE BILL:

Part 437 of the Natural Resources and Environmental Protection Act (NREPA) concerns the Game and Fish Protection Trust Fund. The fund receives money from several sources, including from the sale or leasing of resources, including oil, gas, metallic, and non-metallic minerals and forest resources, on state-owned land bought with game and fish protection funds. The fund also accepts direct gifts, grants, and bequests. The Game and Fish Protection Fund receives money from the interest and earnings of the trust fund. House Bill 4912 would amend Part 437 to

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specify that the legislature could appropriate and transfer not more than \$6 million annually from the corpus of the trust fund to the Game and Fish Protection Fund. Further, the bill would establish a joint legislative work group on game and fish program revenue. The bill would also delete outdated provisions regarding royalties from the Kammer act (see *BACKGROUND INFORMATION*) and the requirement that the trust fund be invested in the same manner as surplus funds.

Transfer to Game and Fish Protection Fund. Currently, the act specifies that the corpus of the Game and Fish Protection Trust Fund is to be maintained in a manner that will provide for future disbursements to the protection fund from the trust fund's interest and earnings. The bill would amend Part 437 to specify that this requirement would be subject to a provision allowing the legislature to appropriate and transfer not more than \$6 million annually from the corpus of the trust fund to the Game and Fish Protection Fund.

Joint Legislative Game and Fish Program Revenue Work Group. The work group would consist of representatives of the House and Senate standing committees with primary responsibility for natural resources issues, and the House and Senate appropriations subcommittees on natural resources. Members of the work group would be appointed on a bipartisan basis by the Speaker of the House and the Senate Majority Leader. The work group would also have to include representatives of the Natural Resources Commission and stakeholders. Assistance and staff support for the work group could be provided by the House and Senate Fiscal Agencies. The work group would be required to report by September 30, 2002 to the members of the legislature. The report would include tax credit issues and alternative funding options to establish stable sources of long-term financial support for game and fish protection programs.

MCL 324.43701 et al.

BACKGROUND INFORMATION:

The Game and Fish Protection Trust Fund was created under the provisions of Public Act 73 of 1986. The intent of the act was to provide the Department of Natural Resources (DNR) with a source of income that would help offset increased costs due to inflation. The fund receives money from various sources. Initially, the major source of funds was \$8 million that had been generated under the former Kammer recreational land acquisition trust

fund act. Money was also received during fiscal years 1985-86 and 1986-87 from oil and gas royalties from state lands bought by game and fish protection funds that would ordinarily have gone into an account created by the former Kammer act. After September 30, 1987, the trust fund received oil revenues from the sale or leasing of resources, including oil, gas, metallic, and non-metallic minerals and forest resources on state-owned land bought with game and fish protection funds. The fund also accepts direct gifts, grants, and bequests. The DNR receives money from the interest and earnings of the trust fund.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would allow the legislature to transfer as much as \$6 million from the Game and Fish Protection Trust Fund to the Game and Fish Protection Fund. The bill would have no net fiscal impact on state revenues or costs, but would provide assurance that the Game and Fish Protection Fund would remain solvent if license revenue proves insufficient to cover budget requirements for the Department of Natural Resources. There would be no fiscal impact on local governmental units. (7-9-01)

ARGUMENTS:

For:

The Department of Natural Resources' budget for funding hunting and fishing programs has been plagued by periodic deficits. Income from license fees remains fixed while inflation increases costs. The Game and Fish Protection Trust Fund was created fifteen years ago to eliminate the problem, but interest and earnings from that fund now provide only eleven percent of the department's budget. In addition, when fishing and hunting license fees were last raised under Public Act 585 of 1996, it was said at the time that this would enable the department to work toward the goals listed in its *Game and Fish Protection Fund, Background Material*, issued in May, 1995, including one that would "provide an adequate, stable funding source for all the department's wildlife and fisheries-related programs." However, this goal was never realized. Moreover, according to the department's recent testimony before the House committee, deficits are inevitable, given the current funding method of the Game and Fish Protection Fund.

Against:

Raiding the Game and Fish Protection Trust Fund is poor public policy. First, those who donate to the trust fund rightfully expect that their gifts will remain there. Also, it should serve as a warning that other trust funds -- for example, the Kammer Recreational Land Acquisition Trust Fund, which was created to acquire recreational land -- were raided repeatedly for other purposes. The Natural Resources Trust Fund, too, has been threatened from time to time.

have local police fill conservation officers' duties, it was noted that police officers already have this authority.

Although the DNR budget currently faces a large deficit, the problem can be traced, in part, to a lack of long-range funding solutions. The Game and Fish Protection Trust Fund was created specifically to address the department's long-term budgetary problems. Raiding it would provide only a short-term solution. Moreover, since hunting and fishing programs provided by the state operate under the user-pay concept, it would make more sense to increase license fees to respond to this situation.

Response:

Actually, the department seldom uses the approach of raising hunting and fishing license fees to address revenue shortfalls. There was no increase in fees between 1986 and 1997. Fees were increased in 1997, under the provisions of Public Act 585 of 1996. That act changed fees for resident and nonresident licenses beginning in 1997, and phased in additional changes for 1999 and 2001. Public Act 585 also granted the director of the DNR the discretion of deferring implementation of increasing the fees again in 1999 and in 2001. The process has been set in motion to increase fees for the current fiscal year. However, since fees were not increased in 1999, that increase would have to be implemented first. With regard to raiding the trust fund, moreover, some say an analogy can be made to a farmer who finds it necessary to sell off 40 acres of his farm, so that *his* trust fund can be passed on to his children.

Against:

During the House committee's debate on the bill, various suggestions were offered to increase revenues. One proposal was offered was to harvest and sell timber on game and fish lands. Another was to empower local police so that they could help fill the gap created by a shortage of conservation officers.

Response:

Regarding the harvesting of timber on game and fish lands, the department notes that these lands are not managed as a source of revenues. Instead, the department's objective is to promote a healthy wildlife habitat. Also, concerning the proposal to

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