Legislative Budget and Finance Committee

A Performance Audit of the PA Fish and Boat Commission

<u>Report Comments by Stephen Fickes, Project Manager</u>
May 25, 2022

Good morning. Mr. Chairman and members of the Committee, it is a pleasure to be here today to discuss the results of our audit of the Pennsylvania Fish and Boat Commission. As you know, Act 159 of 2004 requires us to conduct reviews of the PFBC on a three-year basis. Our last report was completed in 2019. This report is our sixth review under this mandate.

Due to the cyclical nature of this audit, in setting our objectives we have traditionally selected objectives that include a "snap-shot" review of the agency's finances over the past three years, as well as highlighting certain program areas at the PFBC. For this audit, we followed that same practice and focused on three objectives: (1) a review of revenues, expenditures, and fund balances within the Fish Fund and Boat Fund; (2) a status review of PFBC hatchery operations, including specific operational or physical plant improvements; and (3) an update on the status of agency operations as a result of the COVID-19 pandemic. I'll now briefly outline for you the results of our review focusing on these areas.

With respect to the PFBC's financial condition, there are two special funds, each with specific statutory purposes, that sustain PFBC operations. These two funds - the Fish Fund – which supports activities related to angling opportunities, and the Boat Fund – which supports recreational boating opportunities – had a combined total reserve of $154.3 million as of June 30, 2021. For comparative purposes, at the time of our last audit in 2019, the combined reserve balances were $109.3 million. As such, the PFBC grew its reserve fund balances by 41 percent over three years. This notable effort was driven by two primary factors: (1) a reduction in spending through the PFBC's previous "spending reallocation plan," which required the agency to spend no more than it received in revenue; and (2) an unintended consequence of the pandemic, which saw a resurgence in interest in outdoor activity, specifically angling and boating. In turn, this resurgence drove fishing license sales – the primary revenue generator for the Fish Fund – to increase by 19 percent; and boating-related revenue drivers to increase by 25 percent, respectively. Going forward, the PFBC plans to spend down these reserve fund balances and hold reserve fund balances to 70 percent of the previous year's revenues.

I mentioned that the two PFBC special funds – the Fish Fund and the Boat Fund – are statutorily separated and can only be used for specific purposes. However, with a few exceptions, the PFBC's expenses are not entirely all fishing-related or all boating-related. As such, the agency must use "cost splits" to assign a certain portion of each expense as either Fish Fund-related, or Boat Fund-related. Since 1994, the PFBC used a cost algorithm to split each dual-purpose expense between the funds. In previous reports, we have recommended the PFBC update these cost splits to ensure they are reflective of the agency's current time and effort. The agency updated these costs splits during this review, and some costs, such as law enforcement, have shifted more toward the Boat Fund. This cost differential is supported by the increased fines and penalties that were deposited into the Boat Fund over the past three years, as well as the agency's own internal analysis.

While we were pleased that this cost analysis was undertaken, we also think there may be an opportunity for further cost/benefit analysis. For example, we question whether two separate and distinct special funds are still necessary. In 2017, the PFBC estimated that between $50,000 to $80,000 is spent in additional coding to meet this split-purpose requirement. When viewed from this perspective, these added fees are inefficient and unnecessary. Conversely, despite the added transactional costs, having two special funds can provide more accountability to the PFBC's stakeholder groups. From this perspective, the added fees are a necessary cost to ensure greater accountability to the PFBC's overall mission. We believe there could be administrative efficiencies for the commonwealth and the PFBC in administering one combined Fish and Boat Fund; however, we also believe a full cost/benefit analysis, which includes perspectives from stakeholder groups, should be obtained before merging the funds. Unfortunately, this type of cost/benefit analysis was outside the scope of this review, but we suggest the General Assembly consider directing the LBFC to further study the issue and make recommendations on whether these funds should be combined.

In our second objective, a review of the PBFC's hatcheries, one of the more significant aspects of the PFBC's mission is the propagation of fish for angling opportunities, as well as restoring fish populations in Pennsylvania waterways. The PFBC meets this mission through the Bureau of Hatcheries (BOH) and its 13 state fish hatcheries. From a physical plant perspective, several of the state hatcheries are old and in need of significant improvements, some of which have been deferred for several years. These improvements are necessary to ensure that the PFBC can remain current with effluent discharge requirements. Working with the Department of General Services (DGS), the PFBC has developed an infrastructure improvement plan for these facilities. These improvements are mainly included in the proposed FY 2021-22 capital budget act and are estimated to cost $78.9 million, which would be paid from reserves held in the Fish Fund and capital budget authorizations. We reviewed the improvements planned at the facilities and found that of the 242 total projects planned, 152 are associated with production-related improvements. These improvements are also important from an economic development standpoint. Research has shown that recreational fishing can aid state and local economies. In fact, recent research funded by the US Fish and Wildlife Service found that as much as $895.7 million in economic multiplier effects can be attributed to sportfishing in Pennsylvania. Further, hatchery improvements can lead to increased construction jobs in many of the rural areas of the state where the hatcheries are located. For these reasons, we believe the proposed hatchery improvements are a wise investment of resources from the Fish Fund and will further support the agency's mission for future generations.

Finally, in our third objective we reviewed the impact of COVID-19 on the agency's operations. We approached this objective from two perspectives: first, we looked at the impacts on service delivery, which include stocking fish, opening day changes, and other public outreach efforts. The second perspective we reviewed was that of organizational changes, and more specifically, the quantitative staffing impacts upon the agency from the pandemic.

We found that as the COVID-19 pandemic struck, the PFBC quickly pivoted to meet its mission. For example, the PFBC moved employees who could not telework by nature of their job responsibilities into support positions of aiding trout stocking efforts. Further, the PFBC moved the opening day of trout season to an unannounced and unexpected date in the middle of the week across the state. This action effectively spread-out participants for opening day and helped to ensure that, in high-risk areas of the state, opening day was not compromised by the pandemic. The single opening day of trout season proved to be popular with anglers, and the PFBC has since announced it will keep a statewide opening for trout season. Other service delivery changes included changing certain display requirements for registrations and licenses, and changing how outreach efforts, such as the PFBC's popular Trout in the Classroom program are delivered.

In terms of organizational impacts at the PFBC, we reviewed two significant policy changes. The first was a shift to telework. Like many agencies and large corporations, a paradigm shift occurred with more employees working from home in telework scenarios. The PFBC has completed an extensive review of its workforce and approximately 74 job classifications are currently teleworking, which equates to 38 percent of the staff. We reviewed the PFBC's telework agreement it has with employees and found it to be a well-constructed document that protects both employee and management interests.

The second organizational area we reviewed pertained to vaccination incentives, which were announced by the Governor in 2021. Although the PFBC is an independent agency, the PFBC followed these policy initiatives, and offered employees first one day of administrative leave, and then a subsequent five days of a new type of leave, called verification leave. This latter type of leave was intended to increase vaccination rates, but at the PFBC it was unsuccessful as the number of employees who participated decreased. For example, on June 30, 2021, the PFBC had a total filled complement of 370 positions. Approximately 5 weeks later, on August 10, 2021, the Governor announced a vaccination leave incentive that grants one day of administrative leave to employees vaccinated by October 1, 2021. At the PFBC, of the potentially 370 eligible employees, 304 employees, or 82 percent, participated in the program and received the one day of leave as of October 1, 2021. One month later, on November 1, 2021, the Governor announced a new incentive to encourage vaccination that would award five days of paid "verification leave" to all employees vaccinated by December 31, 2021 -- including those who previously received the one-day vaccination incentive. By most accounts, this was a generous incentive as the leave would be paid to the employee, if not used. As such, we expected the number of participants to increase, but upon reviewing the data, we found that participation rates actually decreased. Specifically, for this second vaccination incentive, 287 employees—17 less than the initial 304 who participated in the first program— participated in the verification leave incentive. Some of this decrease might be explained by job transfers and retirements between June 30 and December 31, but regardless, because the program did not result in increased vaccinations, and will cost the agency between $215,000 and $327,000 in extra leave payments for employees who were already vaccinated, we found the program to be unsuccessful.

In closing, I want to thank the PFBC staff for its cooperation as we completed this review. In particular, Brian Barner, Deputy Executive Director, was instrumental in ensuring our information requests were fully answered and in a timely fashion. I would also like to thank Matt Thomas, of our staff, who was of great assistance in preparing much of the material in this report. At this time, I would be happy to answer any questions you may have. Thank you.