

LEGISLATIVE BUDGET AND FINANCE COMMITTEE

A JOINT COMMITTEE OF THE PENNSYLVANIA GENERAL ASSEMBLY

A Performance Audit of the Pennsylvania Fish and Boat Commission

March 2019



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REPORT SUMMARY



Objectives and Scope

- ❖ *To examine and analyze PFBC revenues and expenditures from the Fish Fund and the Boat Fund.*
- ❖ *To review fishing license sales data.*
- ❖ *To review the operational capacity of the Bureau of Hatcheries and the Cooperative Nursery Program.*
- ❖ *To review the complement capacity of the Bureau of Law Enforcement.*
- ❖ *To determine the current status of prior recommendations made in our June 2016 audit report.*

Our audit primarily covered the period July 1, 2015, through June 30, 2018. In some areas, our scope preceded July 1, 2015, because it was necessary to provide a historical context of relevant issues confronting the PFBC. Additionally, some analysis extends through December 31, 2018. These areas are noted within each section of the report.

Report Overview

The PFBC is a unique agency with a lengthy and storied history. Created in 1866 and funded through two special funds—the **Fish Fund** and the **Boat Fund**—the PFBC is responsible for administering and enforcing Pennsylvania’s Fish and Boat Code. No General Fund tax dollars are used to support these funds, and each fund has very distinct purposes as we discuss further in the report.

When the General Assembly increased the Pennsylvania Fish and Boat Commission’s (PFBC) license and fee structure through Act 2004-159, an amendment was added requiring the Legislative Budget and Finance Committee (LBFC) to conduct a performance audit on a three-year cycle beginning in 2007. Since passage of this Act, we have completed four prior audits under this mandate.¹ Most recently, in June 2016, we issued a report on the PFBC’s implementation of its strategic plan.

As we planned our work, we reviewed the PFBC’s operations, reviewed meeting minutes from Commission meetings, and met with senior management within the agency. This preliminary work helped to frame our current objectives (see left text box) for this audit.

Key sections of our report include the following:

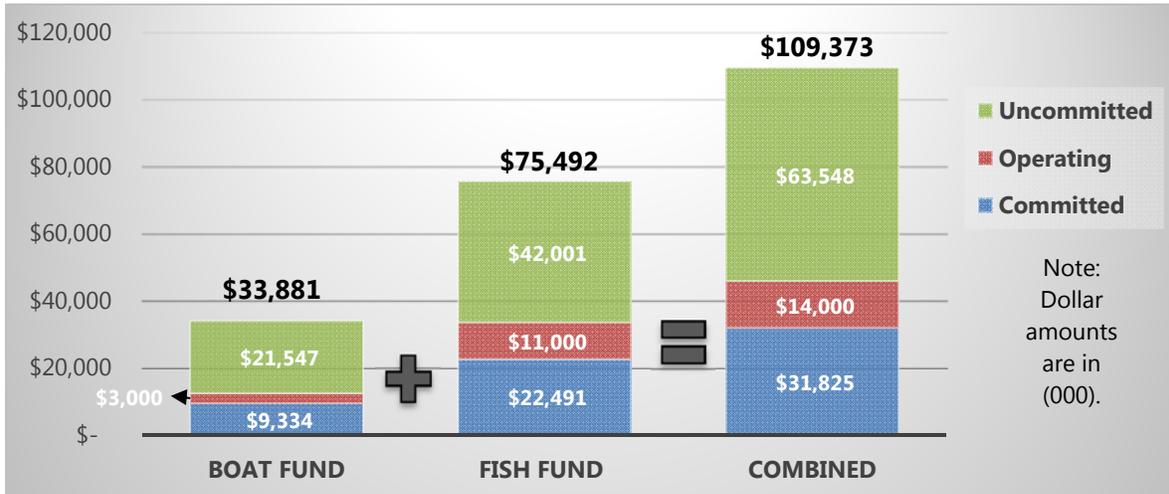
- **Section I – Objectives, Scope, and Methodology.**
- **Section II – Background Information on the PFBC.**
- **Section III – PFBC Fiscal Condition.**
- **Section IV – Other Issues.**

As guided by our objectives and as further described in the above report sections, we found the following:

¹ Copies of these prior reports are available on our web site at <http://lbfc.legis.state.pa.us/>.

Reserve Fund Balances

As of June 30, 2018, the PFBC, through its two special funds—the Boat Fund and the Fish Fund—had a combined total reserve of \$109.4 million.



The PFBC instituted a Spending Reallocation Plan (SRP) in FY 2014-15 that required it to spend no more than it received in revenue. The SRP was successfully used to pay the PFBC’s growing pension and healthcare costs; however, it came at the expense of complement reductions. For example, the PFBC’s staff complement has been reduced from a high of 432 to the current total authorized complement of 381—a 12 percent decrease. These positions were not eliminated through staff furloughs, but rather by not filling and then eliminating vacant positions.²

According to the PFBC, staff attrition can only extend the PFBC for so long. Inflationary pressures and a relatively flat revenue base will force the PFBC to use its uncommitted reserve balance to sustain operations. At that point, the PFBC anticipates having enough reserve to sustain operations for five years.

We agree that a healthy reserve balance is advantageous for the PFBC. Nevertheless, given the current and projected operating conditions—which include flat revenues and escalating operating and personnel expenses—the PFBC is beginning to see a reduction in its ability to grow its reserve balances, especially for the Fish Fund.

While the PFBC’s present financial condition is secure, as we report later, future revenues may not be sustainable to meet the long-term needs of

² As of June 30, 2018, the PFBC had 24 vacancies within its total complement of 381.

the agency. For example, deferred infrastructure improvements and an eroding agency complement will strain the agency's ability to meet future service expectations. Further, in light of decreasing stakeholder participation rates, coupled with other fiscal realities impacting agency operations, renewed strategic discussions are necessary regarding sustainable service delivery expectations for the PFBC. These discussions will need to be held internally with the Commissioners and externally with the General Assembly and other stakeholders.

Revenue from "License and Fees" is the largest source of revenue for both funds.

Revenues

As part of our fiscal analysis, we reviewed revenues received by the PFBC into the Fish Fund and the Boat Fund. For both funds, revenues are grouped by four categories: licenses and fees; federal grants/augmentations; miscellaneous revenues; and, fines and penalties. For the period we reviewed (FY 2015-16 through FY 2017-18), we observed the following trends:

- Licenses and fees were the largest revenue source for both funds, accounting for 68 percent of all Fish Fund revenue and 54 percent of all Boat Fund revenue in FY 2017-18.
- While licenses and fees represented the largest source of revenue for each fund, this category is also decreasing for the Fish Fund and relatively flat for the Boat Fund. For the Fish Fund, over the three-year period reviewed, licenses and fees decreased 1.5 percent, while the Boat Fund saw a modest growth of 1.8 percent.
- Both funds benefitted from increases in miscellaneous revenue and through augmentations (mostly federal funding). Further, fines and penalties, the smallest revenue category for each fund, have been decreasing.

Expenditures

Because of the different intended purposes of the Fish Fund and the Boat Fund, the PFBC tracks expenditures separately for each respective fund. The PFBC uses standard Commonwealth accounting practices and groups expenditures by the following categories: personnel; operational expenses; fixed assets; grants; and non-expense. We observed the following trends:

The PFBC has done a good job of controlling personnel expenses from both funds.

- Over the three year period, there was a 0.3 percent **increase** in total expenditures from the Fish Fund, and a 0.3 percent **decrease** in total expenditures from the Boat Fund.
- The majority of PFBC expenditures fall under the personnel and operating expenditure groupings. With respect to personnel expenses, over the three-year period personnel expenses from the Fish Fund grew by 0.4 percent, and personnel expenses decreased by 2.6 percent from the Boat Fund. Given the mandated increases in expenses for healthcare, negotiated salary increases for employees covered by labor agreements, and pension-related costs for all agency employees, the PFBC has done a good job in controlling the growth of this significant expense category.
- With respect to fixed assets and the Fish Fund, there was a 7.2 percent increase over the three-year period. This increase, while greater than the increases realized in personnel and operating expenses, was still a modest growth for the three-year period. Boat Fund fixed asset spending saw much more volatility—having risen by 102.8 percent—over the three years. These increases were related to infrastructure spending in Centre County.
- Grant spending, which is mostly driven by federal funding, saw the greatest volatility. For the Fish Fund, grant expenditures decreased by 34.7 percent over the three years. This fluctuation is due in part to the decrease in federal augmentations into the Fish Fund.

PFBC Bureau Cost Allocation

The PFBC must allocate its expenditures between the Fish Fund and the Boat Fund. Generally, only expenditures related to fishing activities may be paid from the Fish Fund. Similarly, only boating-related expenditures may be paid from the Boat Fund. We reviewed PFBC spending over three years (FY 2015-16 through FY 2017-18) and we reviewed the PFBC cost allocations by fund and bureau. We found the following:

- Over 50 percent of total agency spending is concentrated within the Bureau of Law Enforcement and the Bureau of Hatcheries.
- PFBC spending within the Bureau of Fisheries and Bureau of Hatcheries is entirely allocated to the Fish Fund, with no cost activities related to the Boat Fund. Both bureaus combined expenditures represent 39.4 percent of total agency spending, and 55.2 percent of Fish Fund expenditures across the three-year review period.

- Special Projects and Programs represented 6.2 percent of total agency spending. This cost center is separate from each bureau's annual operating budget, and the expenditures are controlled and managed by the Executive Office. The cost center includes all infrastructure, fixed assets, equipment needs and grant related expenditures.
- Overall, the largest organizational spending category for the Fish Fund was within the Bureau of Hatcheries (38.6 percent); followed by the Bureau of Law Enforcement (18.7 percent). The largest organizational spending category for the Boat Fund was within the Bureau of Law Enforcement (33.9 percent); followed by the Bureau of Engineering (19.7 percent).

Fishing License Sales Trends

The PFBC faces a "catch-22" situation: On the one hand, fees will likely need to be raised on license holders to meet future agency service commitments—on the other hand—raising license fees could erode license sales, which in turn will only further exacerbate the PFBC's revenue problem at some point in the future.

Historically, after a license fee increase occurs, resident license sales usually decrease in the first year the new fee takes effect.

The decrease is usually temporary as license sales rebound and grow over the license period—until recently.

We were concerned about this situation, so we looked further at historical trends in license sales when fees were increased. We obtained licensing sales data (units sold) for the period 1922 through December 2018. We focused primarily on resident sales because this category is the "bread and butter" of the Fish Fund. One key trend we saw in the data was this: typically, when license fees are increased, resident license sales dropped in the first year that the increase took effect. In other words, after the resident fee was increased, PA resident anglers did not purchase as many licenses as they did in the year prior to the increase. Fortunately for the PFBC, this purchasing trend reverses itself, because the data also showed that with the exception of one period from 1957-1963, sales did grow. At least that was the case until recently.

More recently, we found a significant potential problem—declining resident sales. Specifically, our analysis showed that for the past two license periods, there has actually been negative sales growth in this key demographic. In other words, after a new license fee took effect, the number of resident licenses sold did not rebound and grow. What happened was that resident sales initially decreased (as expected), but then continued to decrease over the license period.

Knowing this recent period of negative sales growth was occurring, we then looked closely at sales for the period 2008-2018, and we found some other noteworthy trends as follows:

- Resident license sales have decreased by 14 percent.
- Total licenses sold (the sum of all license varieties sold by the PFBC) have decreased by 8 percent.
- In the last six consecutive years, resident license sales have continually decreased—and in the past two years alone—sales have decreased by 5.5 percent and 5.3 percent, respectively.
- Conversely, nonresident sales have been steady or even grown. For example, the general nonresident license sales have increased by 3.4 percent, and the specialty 7-day tourist license sales have also increased by 4.0 percent. A specialty 3-day tourist license was relatively steady with a -0.6 sales decrease.

These are troubling trends for any agency, and especially so for one that relies so heavily upon resident license sales. Moreover, given that resident licenses sales have historically declined in the year after a license fee increase, we are concerned about the impact any future fee increase may have on resident angler sales.

With these trends in mind, we present three options for the PFBC and the General Assembly to consider:

Our revenue estimates are “best case scenarios” -- actual revenue will likely be less, but by how much is difficult to estimate.

Option 1 - Eliminate 7-day and 3-day Tourist Licenses. Under this option, the 7-day and 3-day licenses would be eliminated. Thus, nonresidents would need to purchase the higher-priced general nonresident license. Using a best case scenario, as much as \$750,000 additional revenue could flow to the Fish Fund.

Option 2 - Increase the General Nonresident License Fee. This option builds upon option one by eliminating the 7-day and 3-day licenses and increasing the fee for a nonresident license to \$60 from the current \$52.90. Again, using a best case scenario, as much as \$1.2 million in additional revenue could be generated.

Option 3 - Allow the PFBC Authority to Set Fees for All Licenses. License fees are currently set in statute; thus, it can take considerable time for a fee increase to be enacted. Under this option, we believe additional authority should be granted to the PFBC to establish its own license fees. In this way, the agency could implement options 1 and 2, and then measure the actual revenue impacts before raising the resident license fee. This option would allow the PFBC to make more timely adjustments to its fees, while still being held accountable to legislative and executive oversight.

Bureau of Hatcheries and the Cooperative Nursery Program

We reviewed the operational capacity of the Bureau of Hatcheries and the PFBC's network of 13 state-owned fish hatcheries. We found that the Bureau continues to propagate and stock fish for the enjoyment of anglers. Overall, fish production continues to be up, with nearly 14.8 million trout propagated during the three years we reviewed (2016, 2017, and 2018). Other species of fish are also propagated and stocked; however, trout species, which are raised to larger sizes before being stocked, constitute the bulk of the bureau's activity and expenses.

Arguably—as a way of reducing costs—a point could be made that fewer fish should be produced/stocked. Supporting this argument is the fact that resident license sales have declined; therefore, because there are fewer anglers, by extension, fewer fish should be propagated/stocked.

Propagating and stocking fewer fish could be viewed as an indirect license fee increase, which may further erode resident license sales.

There are at least two counter arguments to this position. First, the Commonwealth has already made a long-term strategic decision to improve the quality of the hatcheries by investing Growing Greener II funds into the facilities.³ This additional investment will lead to multi-year improvements to the hatcheries. We believe this action shows the value of the hatcheries to the Commonwealth. As a result, it would seem ill-advised, at least in the short-term, to not use the hatcheries to the full extent of capacity (within federal and state permits).

Secondly, propagating/stocking fewer fish would be an "indirect" license fee increase, which may further erode license sales faster than a measured license fee increase. Simply stated, producing and stocking fewer fish would mean that anglers would get even less potential product (i.e., stocked fish) from their current license/permit purchase. This situation is similar to manufacturers who reduce the package size of a product, rather than raise the price of the product. In the end, the buyer simply gets less product for the same dollar. Under these circumstances, many residents, who are already struggling with finding sufficient time for their interest, may say "why bother" and not purchase a license. This outcome could have distressing results to resident license sales, and worse, may have a ripple effect which negatively impacts supporting Pennsylvania businesses.

³ Act 2005-45, referred to as Growing Greener II, which was a voter-approved initiative, allocates \$625 million for river and watershed cleanup programs, and to protect natural areas. The PFBC received funding for hatchery improvements and to repair aging dams. As we reported in 2016, \$24.5 million of this amount has been dedicated for improving hatchery effluent discharges.

Cooperative Nursery Program

We also reviewed the Cooperative Nursery Program. This PFBC program gives sponsors, which are typically sportsmen's groups or schools, the opportunity to raise and release fish into Pennsylvania waterways. The purpose of this program is to provide increased fishing opportunities for public angling, provide groups with an educational opportunity in culturing fish, promote public involvement in PFBC programs, increase PFBC involvement in local fishing interest, and support local groups' initiatives to provide fish for special events.

The PFBC is supposed to inspect the sponsor hatcheries at least twice annually to ensure that the sponsors provide an annual report and other required documentation. We found that the PFBC was adequately inspecting these facilities; however, sponsors did not always submit the required reports on time and with all required documentation.

We recommend that the bureau improve its record-keeping procedures to ensure that all nurseries/sponsors submit required documentation on time. To that goal, staff did supply us with a new spreadsheet-based inspection form. This form should improve record keeping procedures; therefore, we encourage staff to standardize and use this form for the upcoming season's inspections.

Bureau of Law Enforcement – Complement Capacity

WCOs are law enforcement officers that receive Act 120 training – municipal police officer training.

They also receive additional specialized training for their unique job duties.

We reviewed the PFBC's Bureau of Law Enforcement, and specifically the operational capacity of the Bureau's waterways conservation officers (WCOs). The PFBC's corps of WCOs play an important role within the agency. For example, WCOs conduct pollution investigations, aid in the issuance of specialty permits, coordinate with landowners and other groups for fish stocking, conduct special investigations, and assist in swift water and helicopter rescues. WCOs also assist other state and federal agencies, including the PA Game Commission, PA State Police, Department of Environmental Protection, US Army Corps of Engineers, and the US Fish and Wildlife Service, to name a few. Finally, WCOs are perhaps the most visible aspect of the agency by providing outreach and aquatic education to schools, sportsmen's groups, and others about Pennsylvania's waterways and its resources. Key points we found in our review include the following:

- While the total WCO complement has stayed relatively consistent at 98 positions, there have been large fluctuations between filled and vacant positions. For example, in June 2016, there were 26 vacant

positions. These positions were later offset by a new WCO cadet class of 16 WCOs, which then joined the WCO ranks in 2017.

- As of March 2019, there are a total of 20 WCO vacancies, with an additional seven that may retire. Worse still, PFBC staff project over the course of the next three years, as many as 40 WCOs could retire. Absent new cadet training, these ongoing vacancies will inhibit BLE's operational capacity and its ability to meet existing service expectations.
- In January 2019, the PFBC received approval for, and began accepting applications for, a new class of WCOs. The PFBC plans to hire 20 WCOs to fill the aforementioned vacancies. PFBC staff believe the addition of these officers—once fully trained—will strengthen the operational capacity of the Bureau thereby improving levels of customer service, resource protection, and most importantly, public safety.
- PFBC staff estimated that for the upcoming class of 20 cadets, it will cost the PFBC approximately \$30,000 per cadet, which does not include the cadet's salary and benefits. When including instructor salaries, and other miscellaneous expenses, the PFBC estimates it will cost nearly \$630,000 to train the class of cadets. PFBC staff noted that this estimate is actually lower than initially projected because the PA State Police has agreed to cover the training cost for Act 120 training for this class.
- Given the additional cost for Act 120 training—and the need to quickly restore BLE's complement capacity in light of upcoming retirements—we believe the PFBC should pursue the option of hiring cadets who have already completed Act 120 training.

Status of Prior Audit Recommendations

Our prior audit report, released June 2016, contained four recommendations. We reviewed the PFBC's response to those recommendations, as well as the current implementation status. We fully agreed with two of the PFBC's responses and partially agreed with two other responses.

Report Recommendations

Our report makes a total of nine recommendations.

To the **General Assembly**, we recommend the following:

1. Consider granting the PFBC more authority to set license fees. Such authority could be done on a trial basis, which would then allow our next performance review (FY 2021-22) to further evaluate the PFBC's license fee-setting process.

To the **PFBC**, we recommend the following:

2. Absent new revenue streams that are not based on licenses, the PFBC should support a license fee increase that first targets nonresidents, before raising the license fee on resident licenses.
3. The PFBC should develop and transmit to the Governor, and the Senate and House Game and Fisheries Committees, a slate of possible fee increases for consideration.
4. To the extent that revenues will support hatchery operations, and operating within applicable federal and state permits, the PFBC should maximize the propagation and stocking of fish species for Pennsylvania's angling opportunities.
5. The PFBC should standardize the cooperative nursery inspection process by using an electronic-based form for capturing inspection data.
6. The PFBC should ensure that a minimum of two inspections are completed at each cooperative nursery.
7. The PFBC should ensure that all required cooperative nursery sponsor reports are complete and filed on-time.
8. PFBC staff should work with the State Civil Service Commission to revise the job requirements for the Waterways Conservation Trainee (Cadet) position to include individuals who have already completed Act 120 training.
9. If accepting WCO cadets with prior Act 120 training, the PFBC should continue to conduct thorough background and physical examinations of all hires.

SECTION I OBJECTIVES, SCOPE, AND METHODOLOGY



Why we conducted this study...

Act 2004-159 directs the Legislative Budget and Finance Committee (LBFC) to conduct a performance audit of the Pennsylvania Fish and Boat Commission (PFBC) on a three-year cycle beginning in 2007.

On September 26, 2018, the LBFC Officers adopted this current performance audit as the fifth audit under this statutory authority.

Objectives

Our objectives for this audit were as follows:

1. To examine and analyze PFBC revenues and expenditures from the Fish Fund and the Boat Fund.
2. To review fishing license sales data.
3. To review the operational capacity of the Bureau of Hatcheries and the Cooperative Nursery Program.
4. To review the complement capacity of the Bureau of Law Enforcement.
5. To determine the current status of prior recommendations made in our June 2016 audit report.

Scope

Our audit primarily covered the period July 1, 2015, through June 30, 2018. In some areas, our scope preceded July 1, 2015, because it was necessary to provide a historical context of relevant issues confronting the PFBC. Additionally, some analysis extends through December 31, 2018. These areas are noted within each section of the report.

Methodology

With respect to PFBC fiscal information, we obtained and reviewed budget and fiscal reports for the period fiscal year (FY) 2015-16, through FY 2017-18. We also reviewed applicable supporting documentation from the PFBC. We did not independently audit the financial information; therefore, we cannot express an opinion or any form of assurance on the accuracy of the financial statements. Nevertheless, we tested the validity and reliability of the information we received from other independent sources, where available. Information we used in this report we believe to be accurate and complete as it was presented to us.

We reviewed the PFBC's present fiscal condition by examining fund balances (reserve and unreserved) in the Fish Fund and the Boat Fund. We reviewed revenues to the Fish Fund and the Boat Fund by source, identifying trends and variances among the fiscal years. We similarly reviewed expenditures by category, as well as among organizational segment. We discussed our results with PFBC fiscal staff, and where necessary sought additional clarifications from the Governor's Budget Office, the Department of Revenue, and the Department of the Treasury.

To understand recent issues and problems confronting the agency, we reviewed all PFBC meeting minutes from 2015 through 2018, and we attended a Commission meeting in October 2018. We also distributed a survey to various stakeholders. Lastly, we distributed a letter soliciting comments on our study to members of the House and Senate Game and Fisheries Committees.

We also reviewed a "business report" conducted by the Pennsylvania State University. We reviewed the recommendations from this report for suitability to the PFBC's financial condition, as well as agreement with current fiscal planning strategies.

To review fishing license sales trends, we conducted an extensive review of the PFBC's fishing license sales, using data we obtained from 1922 through 2018. We then identified significant trends related to licensing periods, sales, and fee increases. We also reviewed a study that was commissioned by the PFBC, *Evaluating the Influence of R3 Treatments on Fishing License Sales in Pennsylvania*, May 2018, which was conducted by the consulting firm, Southwick Associates. We also reviewed other states' license fees, as well as the processes used to set those fees.

Regarding hatchery operations, we met with staff from the Bureau of Hatcheries and toured the operations at a state hatchery. We obtained and reviewed production and stocking data from the hatcheries. We also reviewed the Cooperative Nursey Program by reviewing sponsor agreements and other related program polices and guidelines. We conducted a limited test of 16 cooperative nurseries to ensure the PFBC was adequately monitoring sponsors that participated in the program.

We reviewed the Bureau of Law Enforcement, and specifically the complement of waterway conservation officers. We identified trends in officer vacancies dating back to 2008. We also reviewed the required experience, training, and eligibility for cadets (trainees) as published by the State Civil Service Commission.

We reviewed the status of prior audit recommendations made in our June 2016 audit report. We asked PFBC management to list the current status and supply supporting documentation as necessary. We analyzed the information, and we offer our opinion on the current status.

Acknowledgements

We acknowledge and appreciate the excellent cooperation we received from the staff of the PFBC. In particular, Executive Director, Timothy D. Schaeffer, Ph.D.; Brian Barner, Deputy Director, Office of Administration; Marie Chubb, Budget and Fiscal Management; Col. Corey Britcher, Director, Bureau of Law Enforcement; Brian Wisner, Director, Bureau of Hatcheries; Brian McHail, Leader, Cooperative Nursery Unit; Steve Kralik, Director, Bureau of Outreach, Education, and Marketing; and former Executive Director, John Arway.

We also thank the stakeholders who responded to our survey.

Important Note

This report was developed by the staff of the Legislative Budget and Finance Committee, including project manager, Stephen Fickes and staff analysts, Shanika Mitchell-Saint Jean and Anna Amsbaugh. The release of this report should not be construed as an indication that the Committee as a whole, or its individual members, necessarily concur with the report's findings, conclusions or recommendations.

Any questions or comments regarding the contents of this report should be directed to the following:

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SECTION II BACKGROUND INFORMATION ABOUT THE PFBC



Fast Facts...

- ❖ *The Pennsylvania Fish and Boat Commission has been in existence for more than 150 years.*
- ❖ *The Commission is funded through two special funds: the Fish Fund and the Boat Fund.*
- ❖ *The Commission has a complement of approximately 380 salaried employees, who collectively protect, conserve, and enhance the Commonwealth's aquatic resources.*

Agency Mandate and Mission

The Pennsylvania Fish and Boat Commission (PFBC) is an independent administrative agency established in 1866 with authority to administer and enforce the Fish and Boat Code and other Commonwealth laws relating to: (1) the encouragement, promotion, and development of the fishery interests; (2) the protection, propagation, and distribution of fish; (3) the management of boating and the operation of boats; and (4) the encouragement, promotion, and development of recreational boating. The Commission's mission is "to protect, conserve, and enhance the Commonwealth's aquatic resources and provide fishing and boating opportunities."

The Board of Commissioners

The Commission is comprised of ten Pennsylvania citizens appointed by the Governor with the advice and consent of a majority of the Senate. Two PFBC members serve at-large and are required to be experienced in boating and water safety education and be registered boat owners in Pennsylvania. The remaining eight members are required, by law, to be a resident of a specific geographic district and are to be well-informed on conservation, restoration, fish and fishing, and boats and boating. Exhibit 1 shows these geographic regions. Commission members serve four-year terms and may continue to hold office for up to six months thereafter or until a successor is appointed and qualified.⁴ Exhibit 2 shows the terms of the Commission members and the geographic regions they serve. Members receive no compensation for their service on the Commission, but they do receive reimbursement for travel expenses.

The Commission is required to have an office in the Harrisburg area and hold meetings in January and July and at such other times and places as

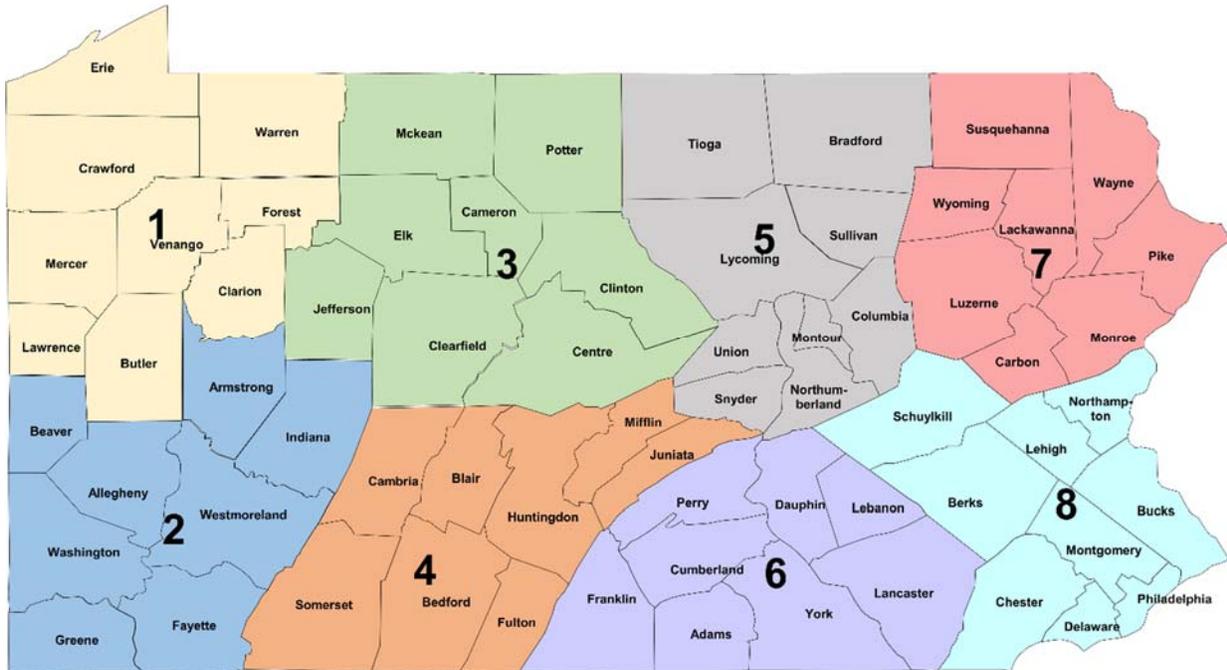
⁴ Act 2014-24 amended the Fish and Boat Code to provide for four-year terms, rather than the previous eight-year terms. Further, Act 24 provided that members may continue to hold office for up to six months or until a successor is appointed and qualified, whichever occurs first. The prior law did not contain the six-month restriction. Finally, Act 24 provided that a member who serves three consecutive terms shall not be eligible for reappointment to the Commission. Prior to this amendment, a member who served a full eight-year term could not be reappointed until after a period of eight years passed. Overall, Act 24 provides that these amendments apply to members of the PFBC who are appointed on or after May 19, 2014.

the Commission may designate. In actual practice, the Commission ordinarily meets four times a year. In addition to full Commission meetings, PFBC committees may conduct public meetings throughout the year. At the July meeting each year, the Commission elects from its members a president and vice-president.

A statutorily created eight-member Boating Advisory Board advises the Commission on all matters relating to boating and makes recommendations regarding any proposed rules or regulations affecting the equipment or operation of boats. The Board consists of three ex-officio members including the Secretary of the Department of Conservation and Natural Resources, the PFBC Executive Director, and the Assistant Executive Director in charge of watercraft safety, and five volunteer members who are required to be experienced boaters and members of boating volunteer organizations. Members are appointed by the Governor for five-year terms.

Exhibit 1

Map of PFBC Districts



Source: Pennsylvania Fish and Boat Commission.

Exhibit 2

PFBC Districts and Terms
 (As of December 2018)

District	Counties	Incumbent (Home County)	Date Confirmed	Term Expiration	Eligible for Re- appointment?
One	Erie, Crawford, Mercer, Lawrence, Venango, Butler, Warren, Forest, and Clarion	Edward P. Mascharka III (Erie County)	6/21/10	6/21/18	No
Two	Beaver, Allegheny, Washington, Greene, Armstrong, Indiana, Westmoreland, and Fayette	Rocco S. Ali (Armstrong County)	10/15/12	10/15/20	No
Three	McKean, Elk, Jefferson, Potter, Cameron, Clearfield, Clinton, and Centre	William C. Brock (Elk County)	7/17/17	7/17/21	Yes
Four	Cambria, Somerset, Blair, Bedford, Huntingdon, Fulton, Mifflin, and Juniata	Donald K. Anderson (Somerset County)	10/1/08	10/1/22	Yes
Five	Tioga, Lycoming, Union, Snyder, Bradford, Sullivan, Columbia, Montour, and Northumberland	Eric C. Hussar (Union County)	10/06/14	10/7/18	Yes
Six	Franklin, Perry, Cumberland, Adams, Dauphin, York, Lebanon, and Lancaster	Robert B.J. Small (Cumberland County)	7/17/17	7/17/21	Yes
Seven	Susquehanna, Wyoming, Luzerne, Lackawanna, Carbon, Wayne, Pike, and Monroe	Norman R. Gavlick (Luzerne County)	9/27/10	9/27/18	No
Eight	Schuylkill, Berks, Chester, Northampton, Lehigh, Bucks, Montgomery, Philadelphia, and Delaware	Richard S. Kauffman (Berks County)	7/17/17	9/27/18	Yes
Boating	At-Large	G. Warren Elliott (Franklin County)	6/30/09	6/30/17	No
Boating	At-Large	Richard Lewis (Adams County)	7/17/17	7/17/21	Yes

Source: Developed by LBFC staff from information obtained from the PFBC.

Fish Fund and Boat Fund

The PFBC administers two funds, the Fish Fund and the Boat Fund. All fees, royalties, fines, penalties, and other monies paid, received, recovered, and collected under the Fish and Boat Code are to be deposited into these funds. Further, all funds received pursuant to the Liquid Fuels Tax Act (75 Pa.C.S. §9017) are to be deposited into the Boat Fund. As stated in the Fish and Boat Code (30 Pa.C.S. §521 and §531), monies in both funds may be used for the following purposes relating to fish and fishing and boats and boating from each fund respectively:

- The payment of expenses incurred in processing, issuing, or supervising the issuance of fishing licenses, boat registrations, special licenses, and permits.
- Salaries and/or wages, and travel expenses of the executive director and other employees.
- Travel expenses of Commission members, officers, and employees.
- Purchase of furniture, supplies, materials, equipment, fuel, motor vehicles, boats, and insurance.
- Postage and telephone expenses.
- Rentals for any offices outside of the Capitol buildings or any other grounds, buildings, or quarters necessary for the work of the Commission.
- Purchase of lands, waters, and the impounding of waters in Pennsylvania for fishing, boating, and other recreational purposes.
- The refund of fees, royalties, fines, or other monies erroneously or unjustly paid into the Fish Fund or the Boat Fund.
- The lease of land, interests in land, or licenses for the use of the Commission.
- The purchase of such furniture, furnishings, stationery, supplies, materials, equipment, fuel, motor vehicles, boats, and printing and binding as may be necessary to the conduct of the work of the Commission, and the payment of premiums on surety bonds for such officers or employees of the Commission as may be required to obtain policies of workmen's compensation insurance and policies of liability insurance covering the motor vehicles and persons operating them.

Additionally, monies in the **Fish Fund** may be used specifically for fish and fishing-related purposes such as the following:

- Propagation, protection, management, and distribution of fish and fish stocking.
- Necessary repairs and improvements to fish cultural stations and other buildings, offices, or quarters used by the Commission.
- Direct purchase of fish and fish food.
- Purchase and acquisition of additional land and waters for fish cultural stations, the purchase and construction of buildings, ponds, and other extensions incidental to fish cultural stations, the propagation and protection of fish cultural stations, and the distribution and stocking of fish from fish cultural stations.
- Other contingent, incidental, and other expenses reasonably necessary in carrying on the work of the Commission, including the costs of activities for the promotion of public interest in recreational fishing in Pennsylvania.

Monies in the **Boat Fund** may be used specifically for boats and boating-related purposes such as the following:

- Maintenance and operation of Commission boats.

- The payment of the travel and other expenses of the Boating Advisory Board, officers, employees, and other persons as may be required for the work of the Commission.
- Necessary repairs and improvements to boating access areas and buildings, offices, or quarters used in the work of the Commission.
- The maintenance and operation of such boats as may be required for the business of the Commission.
- The purchase of lands and waters and the impounding of waters and to make them available for use by the citizens of this Commonwealth for boating and other related recreational purposes.
- The development and implementation of a boating safety education program.
- Any contingent, incidental, or other expenses of any kind or description reasonably necessary in carrying on the work of the Commission relating to boats and boating including the costs of activities for the promotion of recreational boating in this Commonwealth.

The Fish and Boat Code also authorizes the Commission to enter into cooperative agreements with Pennsylvania, federal, and other state and local government agencies and interstate compact agencies for the purpose of impounding, managing, using, maintaining, and operating waters for public fishing and for public boating.⁵ Both Fish Fund and Boat Fund monies may be expended for agreed upon pro rata shares of the cost of the acquisition, construction, operation, and maintenance of these projects. In addition, the Commission may enter into agreements and expend monies from the Fish Fund and the Boat Fund pursuant to private or commercial interests for fishing and boating purposes.

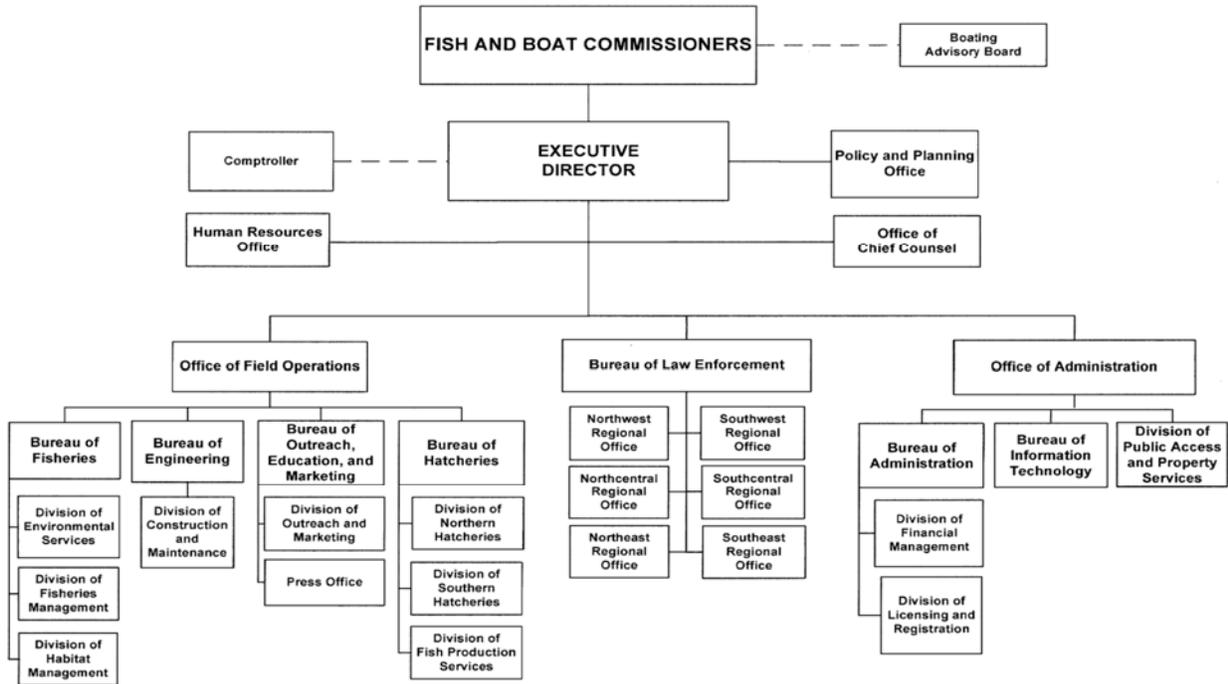
Agency Organization

As shown on Exhibit 3 that follows, the PFBC consists of a Human Resources Office, a Policy and Planning Office, and the Office of Chief Counsel reporting directly to the Executive Director. The Office of Field Operations has oversight of the Bureau of Fisheries, Bureau of Engineering, Bureau of Outreach, Education, and Marketing, and the Bureau of Hatcheries. The Bureau of Law Enforcement oversees six regional offices, and as a result of a minor reorganization in 2015, boating-related activities. The Office of Administration has oversight of the Bureau of Administration, the Bureau of Information Technology, and the Division of Public Access and Property Services.

⁵ See 30 Pa.C.S. §521(b)

Exhibit 3

PFBC Organization Chart



Source: Office of Administration, Executive Board. (Reflects organizational changes authorized in 2012 and 2015).

A brief description of the functions of the PFBC units follows:

Executive Director: Performs the duties and responsibilities vested in and imposed upon the agency by the Fish and Boat Code, 30 Pa.C.S. §101 et seq.; administers the operations and activities of the entire organization; serves as the Chief Waterways Conservation Officer; and serves as an ex-officio member on several boards and other entities.⁶

- **Office of Chief Counsel:** Provides legal services to the PFBC with regard to questions, policies, and concerns arising from the performance of the Commission’s official duties; represents the PFBC in all state courts in civil matters and in all state and federal administrative proceedings before various other agencies including, e.g., the State Civil Service Commission; drafts proposed legislation, regulations, contracts, and other legal documents; coordinates the legal aspects of land acquisition and disposition; advises the PFBC’s Open Records Officer regarding the Right-to-Know Law; coordinates with other

⁶ For example, the Atlantic States Marine Fisheries Commission, the Environmental Quality Board, the Mid-Atlantic Fisheries Management Council, and the Boating Advisory Board.

state agencies on a wide variety of matters, e.g., contracts; coordinates agency actions where a PFBC employee or officer is sued or charged with a crime; advises, counsels, and assists in the conduct of administrative hearings and functions as a hearing officer when appropriate; and attends PFBC and Boating Advisory Board meetings and other proceedings that pertain to the agency's operations.

- Human Resources Office: Coordinates the recruitment and placement of PFBC employees, including workforce and succession planning; coordinates the time and attendance, financial disclosure, workers compensation, safety, performance management, and unemployment compensation programs; advises staff about human resource policy and procedures, e.g., Governor's Code of Conduct; develops and administers the agency's training programs; ensures that equal opportunity, disability services programs, commercial drivers' license drug testing, and employee assistance programs are appropriately administered and communicated to all employees; and coordinates the agency's labor relations program by negotiating collective bargaining agreements, assisting in unfair labor practices and arbitrations, resolving grievances and employee complaint issues, and recommending appropriate levels of disciplinary action when necessary.

- Policy and Planning Office: Conducts research, gathers data and identifies trends to develop policy recommendations consistent with the PFBC's goals and is responsive to the needs of the fishing and boating public; ensures that various agency initiatives are consistent with broader policy objectives and compatible with the strategic vision of the PFBC; develops short range goals and objectives and long range strategic plans that are consistent with the agency's priorities; develops and implements the agency's legislative agenda and serves as liaison to the legislature and monitors and analyzes relevant legislation; prepares position statements on plans, initiatives, regulations and legislative actions proposed by federal and state agencies; annually develops and updates the PFBC's comprehensive planning documents including a property and land development master plan.

Office of Field Operations: Manages, develops, and coordinates the PFBC's engineering, fisheries, hatcheries, and boating and outreach programs, and provides oversight of the infrastructure and renovations to the Pleasant Gap Complex.

- Bureau of Fisheries: Directs the research, management, conservation, and protection of fish, fisheries, reptiles, amphibians, and other aquatic organisms including threatened and endangered species; represents the Executive Director on various agencies and committees. This Bureau includes the Division of Environmental Services, the

Division of Fisheries Management, and the Division of Habitat Management.⁷

- **Bureau of Hatcheries:** Directs the production and stocking of fish in Pennsylvania waters, including Lake Erie; manages hatchery effluents within National Pollutant Discharge Elimination System (NPDES) permit limits; provides oversight of the infrastructure and renovations to state fish hatcheries; directs all interstate exchanges or trades of fish and eggs; and represents the agency on various interstate and intra-state aquaculture related committees and organizations. This Bureau includes the Division of Northern Hatcheries,⁸ the Division of Southern Hatcheries,⁹ and the Division of Fish Production Services.
- **Bureau of Outreach, Education, and Marketing:** This Bureau was created during an agency reorganization in 2015. The Bureau includes the Division of Outreach and Marketing and the Press Office, which is responsible for all of the agency's public relations initiatives.
- **Bureau of Engineering:** Directs the planning, engineering, design, construction, and maintenance of fishing and boating facilities, hatcheries, and other PFBC property. This Bureau includes the Division of Construction and Maintenance, the Construction Section, the Maintenance Section, and the Engineering Section.

Office of Administration: Manages, develops, and coordinates the PFBC's administrative, information technology, public access, and real estate programs.

- **Bureau of Administration:** Provides administrative support services for all PFBC operations and programs: procures, monitors maintenance, operating expenses and repairs, and disposes of vehicles; administers the surplus property program; oversees the maintenance and operation of the PFBC's headquarters building; administers the PFBC's Right-To-Know Law program; administers the PFBC's records management program; administers and coordinates all federal grants; develops proposals to receive and expend federal funds; records and analyzes the expenditure of federal funds; serves as the coordinator for federal projects between the PFBC, other state agencies, and the federal government; and provides mail, messenger, and related services. This Bureau includes the Division of Financial Management and the Division of Licensing and Registration.

⁷ This includes the Mid-Atlantic Fishery Management Council, the Atlantic States Marine Fisheries Commission, the Great Lakes Fishery Commission, the Council of Great Lakes Fisheries Agencies, the Mississippi Interstate Cooperative Resource Association, the Northeast Association of Fisheries Agency Administrators, various committees within the Association of Fish and Wildlife, and other organizations and interagency committees as necessary.

⁸ These hatcheries include the following: Corry, Union City, Fairview, Linesville, Oswayo, Pleasant Mount, and Tionesta.

⁹ These hatcheries include the following: Bellefonte, Benner Spring, Huntsdale, Pleasant Gap, Tylersville, and Reynoldsdale.

- **Bureau of Information Technology:** Provides overall direction, support, and management of all aspects of the PFBC's information technology infrastructure, including network architecture, Inter/Intranet application web development, Geographical Information Systems (GIS), and telecommunications; manages and provides support for all components of an information technology network and data store that are needed to sustain the business requirements of the PFBC; provides technology solutions to enhance system interoperability, security, and cost effectiveness for the PFBC, as well as supports both internal and external customer needs; operates and maintains all distributed computing platforms and systems used within the PFBC; coordinates customer service activities; and ensures compliance with Commonwealth policies and standards, where appropriate.

- **Division of Public Access & Property Services:** The Public Access Section administers the Lake Erie Access Improvement Program and the comprehensive statewide public access and lands conservation program designed to protect land resources and habitats; applies for and administers grants and other non-traditional funding sources to support public access programs and initiatives; administers the Clean Vessel Act and Boating Infrastructure and Facilities Development Grant programs; administers the statewide Boating Facility Grant program; provides technical assistance on the design of fishing and boating access facilities; and provides support to the PA Water Trails Partnership. The Property Services Section manages the statewide real estate operations; administers and coordinates statewide land acquisition and disposition and land use programs including leasing agreements; evaluates and reconciles property encroachment, title, and property ownership and control issues; maintains the PFBC real estate records; maintains agreements and in-lieu-of-tax payments obligations; researches, evaluates, and responds to property related inquiries from PFBC staff, other agencies, legislators, and the public; and assists and supports PFBC staff with the evaluation and implementation of gas and water land use agreements for PFBC property. The Survey Services Section provides the land and property surveying services for PFBC projects and facilities.

Bureau of Law Enforcement: The Bureau of Law Enforcement directs the enforcement of the Commonwealth's fishing and boating laws and regulations and certain water pollution/disturbance laws, as well as enforcement of Title 18, the Crimes Code. Its corps of waterways conservation officers (WCOs) also provides education programs for boating, fishing, and conservation; reviews permits for mine drainage and stream encroachments; administers the PFBC's special activities permits; and participates in fish stocking operations. WCOs are also called upon to engage in rescue and recovery operations associated with infrastructure failures or natural disasters (such as floods). The Bureau administers the agency's

aids-to-navigation activities, the certification of passenger-for-hire boat operations, and the operation of the North East and Walnut Creek marinas. The Bureau is also responsible for the PFBC's deputy waterways conservation officers. The Bureau operates out of headquarters in Harrisburg as well as six regional offices located in Meadville, Somerset, Pleasant Gap, Newville, Sweet Valley, and Elm. On August 7, 2015, the Commission approved reorganization of the agency's structure, which included repositioning the boating functions within the Bureau of Law Enforcement.

Agency Complement

As of June 30, 2018, the PFBC's staff complement totaled 381 salaried positions. As shown below on Exhibit 4, 357 of the salaried positions were filled and 24 were vacant. Approximately 195 of the filled positions, or 51 percent of the total PFBC complement, are in the Bureau of Law Enforcement and the Bureau of Hatcheries. The PFBC also had 70 wage positions, with 49 of the wage positions filled and 21 vacant, as of June 30, 2018. In 2015, which was when we conducted our last review of the PFBC's complement, the PFBC had a total complement of 432 positions, with 364 positions filled and 68 positions vacant. Consequently, since 2015, the PFBC has reduced its total complement by 12 percent.

Exhibit 4

PFBC Salaried Staff Complement, by Organizational Unit (As of June 30, 2018)

Organizational Unit	Filled	Vacant	Total
Executive Office	9	2	11
Office of Administration	6	0	6
Office of Field Operations	1	0	1
Bureau of Law Enforcement	89	4	93
Bureau of Administration	28	1	29
Bureau of Information Technology	10	1	11
Bureau of Fisheries	51	2	53
Bureau of Engineering	42	5	47
Bureau of Boating and Outreach	15	2	17
Bureau of Hatcheries	<u>106</u>	<u>7</u>	<u>113</u>
Total	357	24	381

Source: Developed by LBFC staff from PFBC Personnel Complement Report, June 30, 2018.

SECTION III PFBC FISCAL CONDITION



Fast Facts...

- ❖ *The PFBC's "Spending Reallocation Plan" (SRP) has successfully limited agency spending to no more than it receives in revenue.*
- ❖ *As a result of the SRP, each PFBC special fund—the Fish Fund and the Boat Fund—maintains healthy reserve balances. As of June 30, 2018, these combined funds held \$109.4 million in total reserves.*
- ❖ *These balances—while beneficial to the agency's mission—will eventually erode because revenues are flat and expenditures will outpace revenues. As these reserve balances are depleted, renewed strategic discussions are necessary regarding sustainable service delivery expectations.*

Overview

While the PFBC's authority is derived from the Commonwealth's Fish and Boat Code, which gives the agency regulatory enforcement over aquatic life and boating activities—in terms of financially supporting the agency—two special funds support agency operations: the **Fish Fund** and the **Boat Fund**.

These two funds are both administered by the PFBC; however, the funds may only be used for separate and distinct purposes of the PFBC. Specifically, the Fish Fund provides funding for the administration and enforcement of the fish laws and the protection/propagation of aquatic life. Similarly, the Boat Fund provides funding for the administration and enforcement of programs relating to boats and boating activities. The separation of these two funds underscores the historical significance Pennsylvania has placed in ensuring the independence and vitality of these related, yet statutorily separate, activities.

In the sections that follow, we present our analysis of the PFBC's fiscal condition, as well as a review of revenue and expenditures for each of the funds for the period FY 2015-16, through FY 2017-18.¹⁰ Overall, we found that as a result of the PFBC's Spending Reallocation Plan (SRP) the agency has been successful in keeping expenditures below revenues. As a result, for each of the years we reviewed, surpluses were generated for both funds. The agency continues to contribute these surpluses to each fund's unrestricted reserve balance; thus, allowing it to sustain operations.

While the PFBC's present financial condition is secure, future revenues may not be sustainable to meet the long-term needs of the agency. For example, deferred infrastructure improvements and an eroding agency complement will strain the agency's ability to meet future service expectations. Further, in light of decreasing stakeholder participation rates, coupled with other fiscal realities impacting agency operations, renewed strategic discussions are necessary regarding sustainable service delivery expectations for the PFBC. These discussions will need to be held internally with the Commissioners and externally with the General Assembly and other stakeholders.

¹⁰ Information for this section of the report was obtained from PFBC budget and fiscal reports for the period FY 2015-16 through FY 2017-18. We conducted limited tests to verify the accuracy and reliability of the information; however, this information is unaudited.

Issue Areas

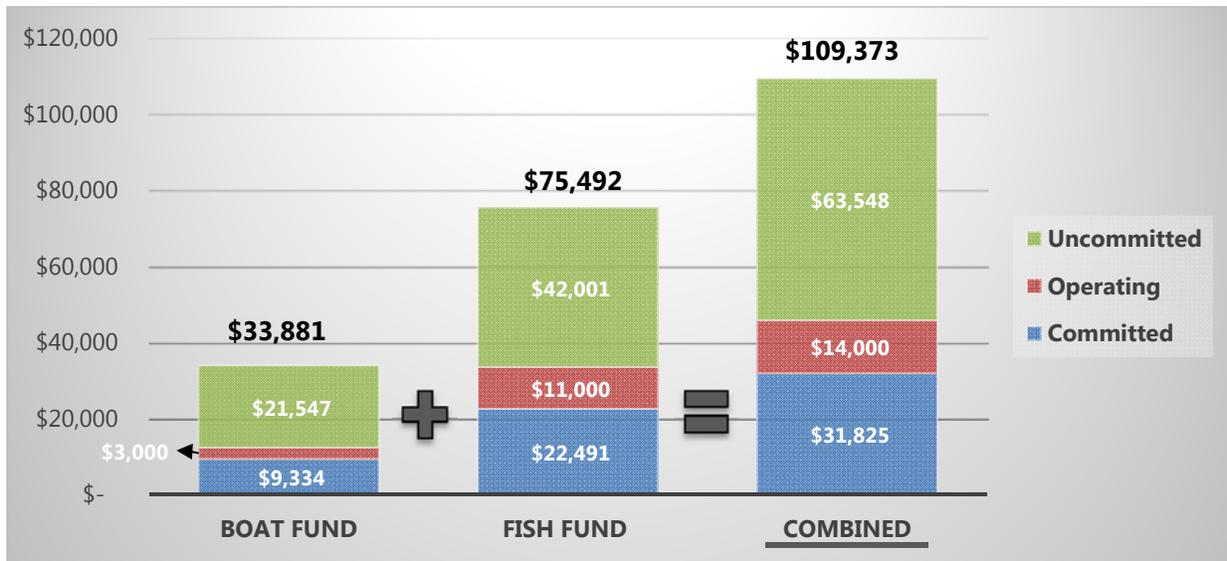
A. Reserve Fund Balances

To assess the financial condition of the Fish Fund and the Boat Fund, we used a cash flow analysis. This analysis is based on revenues coming into the agency and expenditures going out of the agency. The difference between these two influences results in either a surplus (i.e., the PFBC spent less than it received) or a deficit (i.e., the PFBC spent more than it received).

As of June 30, 2018, the PFBC, through its two special funds—the Fish Fund and the Boat Fund—had a combined total reserve of \$109.4 million. As shown in Exhibit 5, the Fish Fund and the Boat Fund continue to have healthy reserve balances.

Exhibit 5

Fish and Boat Funds Reserve Fund Balance
As of June 30, 2018*
 (Amounts in \$000)



Note:

*/This balance is calculated on a cash flow basis and represents a “snap-shot” of agency reserves on that date. Additional expenses paid after June 30, 2018, would reduce this amount.

Source: Developed by LBFC staff from information provided by PFBC.

As further shown in Exhibit 5, the PFBC tracks three different reserve balances: committed, operating, and uncommitted. Each balance is described below:

Committed. These funds serve a predetermined purpose within the agency's operations. These funds are set aside for future contractual obligations. The funds may originate from restricted revenues received through legal settlements or legislative mandates, or revenues collected in advance (e.g., as part of the multi-year fishing license program).

Operating. Revenue into the Fish Fund and Boat Fund fluctuates from week to week. In the case of the Fish Fund, revenue is primarily collected in the spring when angler licenses are sold. For the Boat Fund, revenue collection peaks in the summer months from boat registrations and in the winter when it receives Oil Franchise Tax revenue. Because of these spikes, the PFBC must retain funds to ensure sufficient cash is on hand to meet cash flow needs when revenues do not cover expenditures. To cover these "lean" periods, the PFBC retains an \$11 million operating reserve in the Fish Fund and a \$3 million operating reserve in the Boat Fund.

Uncommitted. These funds are invested by the Department of the Treasury on behalf of the PFBC that are in excess of operating needs or annual budget requirements. These funds are kept in reserve in case of emergency infrastructure needs (e.g., dam failure; major hatchery issue; PALS system outage during peak season), and operating funds required to ensure sufficient cash is on hand to meet annual cash flow needs when revenues do not cover expenditures.

As we noted in our last report, the PFBC instituted a Spending Reallocation Plan (SRP) in FY 2014-15 that required it to spend no more than it received in revenue. The SRP was successfully used to pay the growing pension and healthcare costs; however, it came at the expense of complement reductions. According to the PFBC, its staff complement has been reduced from a high of 432 to the current total authorized complement of 381—a 12 percent decrease. These positions were not eliminated through staff furloughs, but rather not filling and then eliminating vacant positions.¹¹

According to the PFBC, staff attrition can only extend the PFBC for so long. Inflationary pressures and a relatively flat revenue base will force the PFBC to use its uncommitted reserve balance to sustain operations. At that point, the PFBC anticipates having enough reserve to sustain operations for five years.

Exactly how much of a reserve balance the PFBC should maintain is a policy decision for the Commission and the General Assembly.¹² According to analysis conducted by the Pennsylvania State University, the PFBC's

¹¹ As of June 30, 2018, the PFBC had 24 vacancies within its total complement of 381.

¹² It should be noted that the PFBC recently made an operational decision to hold its unrestricted reserve balances to 70 percent of prior year revenues.

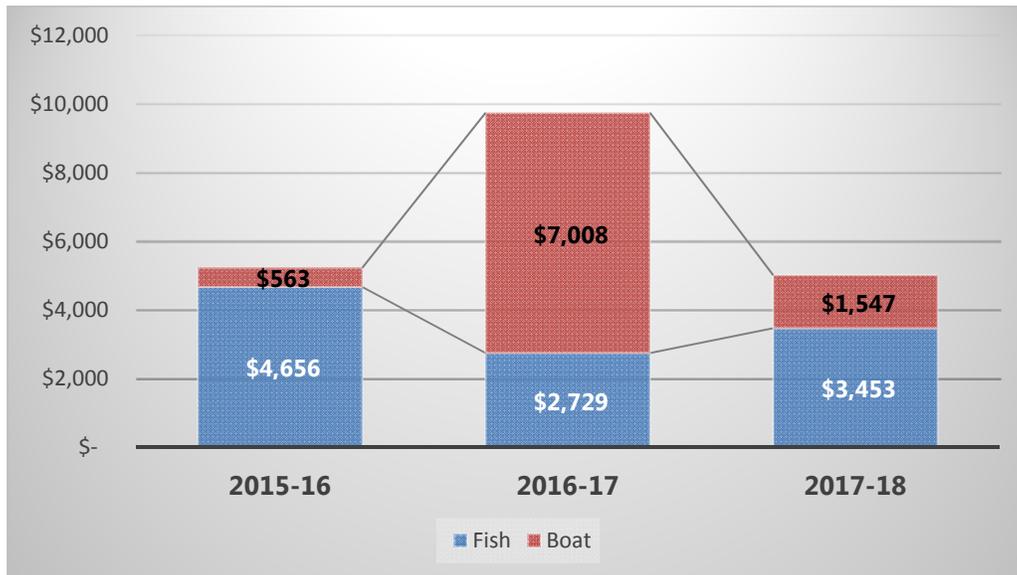
reserve balance should be viewed as a strategic strength and should be maintained as a type of rainy day fund for unforeseen needs, and it would weaken the agency if leadership is forced to deplete the reserve fund.¹³

Change in Fund Balances

We agree that a healthy reserve balance is advantageous for the PFBC. Nevertheless, given the current and projected operating conditions—which include flat revenues and escalating operating and personnel expenses—the PFBC is beginning to see a reduction in its ability to grow its reserve balances, especially for the Fish Fund (see exhibit below).

Exhibit 6

Change in Fund Balance*
Fish Fund and Boat Fund
(\$000)



Note:

*/ Using a cash flow basis, the change in fund balance is calculated as total revenues less total expenditures for each fiscal year as of June 30. These amounts are a surplus and are thus added to the overall fund balance maintained by the Department of Treasury. Additional expenditure commitments may be paid after June 30, which would impact the final fund balances.

Source: Developed by LBFC staff from PFBC financial statements.

¹³ The Pennsylvania State University, the Smeal College of Business and the College of Agriculture, *PA Fish and Boat Commission Business Planning*, July 1, 2017.

As shown in Exhibit 6, the PFBC has been able to grow the balances in the Fish Fund and Boat Fund for each of the three fiscal years we reviewed. As discussed in the revenue section that follows, in FY 2016-17, there was a large spike in Boat Fund revenue. This spike contributed to the significant FY 2016-17 Boat Fund surplus. Further, while the Fish Fund surplus decreased in FY 2016-17, it did slightly rebound in FY 2017-18, albeit at an amount that was still less than the FY 2015-16 surplus of \$4.7 million.

Ultimately, a healthy fund balance is derived by maximizing revenues and minimizing expenses. In the two sections that follow, we will discuss these influences in more detail and the apparent trends impacting the PFBC's financial condition for the period FY 2015-16 through FY 2017-18.

B. Revenues

Fish Fund and Boat Fund revenues are grouped by four categories. These categories are as follows:

Licenses and Fees are the largest revenue category for each fund.

Licenses and Fees. This category represents the largest share of revenue for both the Fish Fund and Boat Fund. In FY 2017-18, 67.7 percent of total revenue was generated by licenses and fees. For the Fish Fund, this category includes the sale of angler licenses, and for the Boat Fund, the primary revenue generator is boat title and registration fees (see Appendix A for fishing license fees and Appendix B for boat registration fees).

Federal Grants/Augmentations. Included within this category are revenues from the federal government and from the state. For the Fish Fund, revenue is received from the US Fish and Wildlife Service and from other federal sources pertaining to the rehabilitation and restoration of aquatic resources. For the Boat Fund, federal augmentations are also received from the US Fish and Wildlife Service and from the US Coast Guard for other boating-related activities.

Miscellaneous Revenue. For the Fish Fund, this category includes primarily interest on securities and deposits held and invested by the Department of Treasury. Other categories include the sale of timber and revenue collected from sand and gravel dredging. Within the Boat Fund, this category includes primarily reimbursement from the Motor License Fund for Oil Franchise Taxes collected on the sale of motor boat fuel.

Fines and Penalties. For both funds, this category represents fines and penalties collected from violations of the Fish and Boat Code.

As shown in the exhibit below, both funds have witnessed increases/decreases across the respective categories. In particular, the Boat Fund saw a significant increase in augmentations and miscellaneous revenues in FY 2016-17.

Exhibit 7

Fish Fund Revenues (\$000)

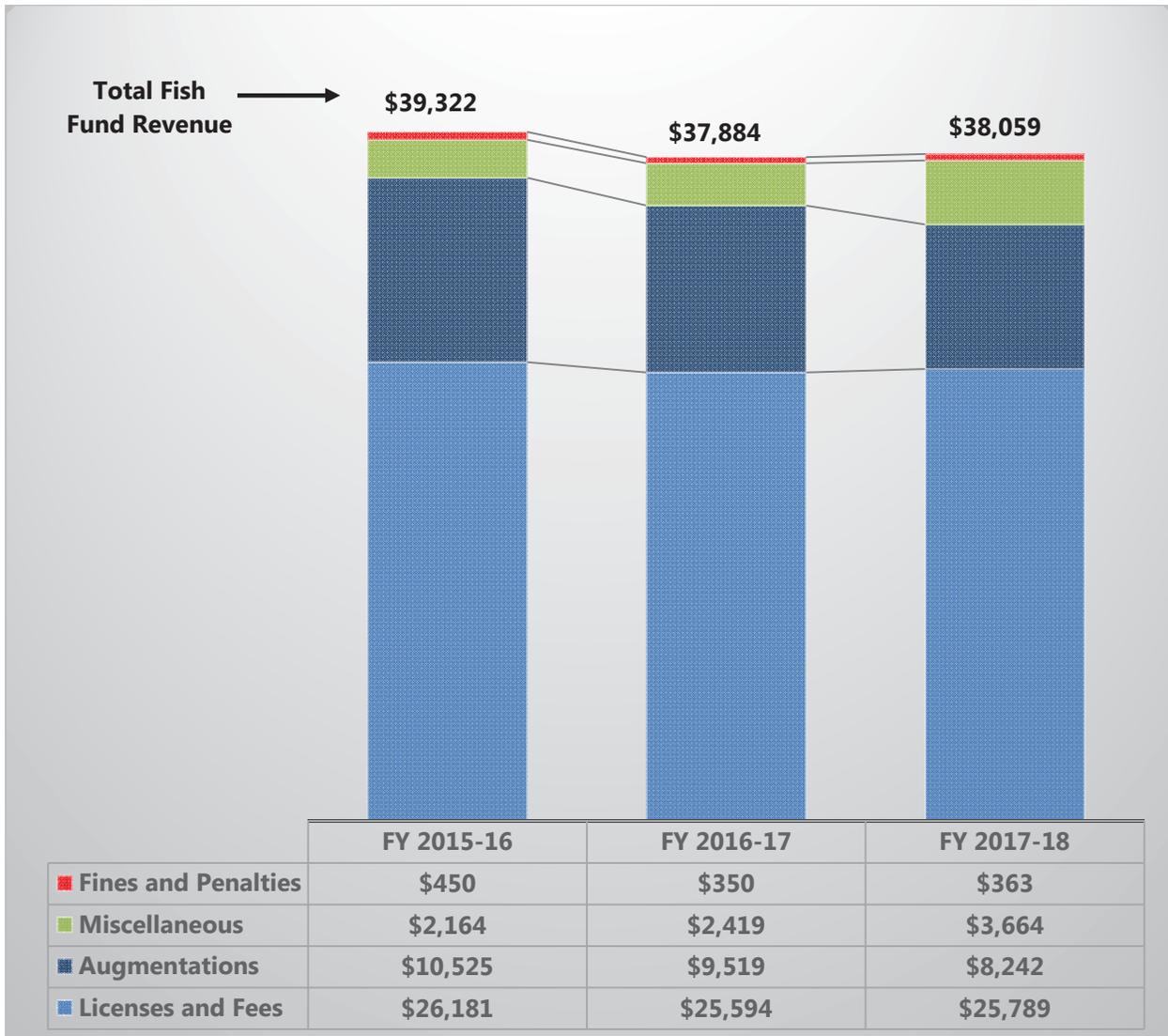
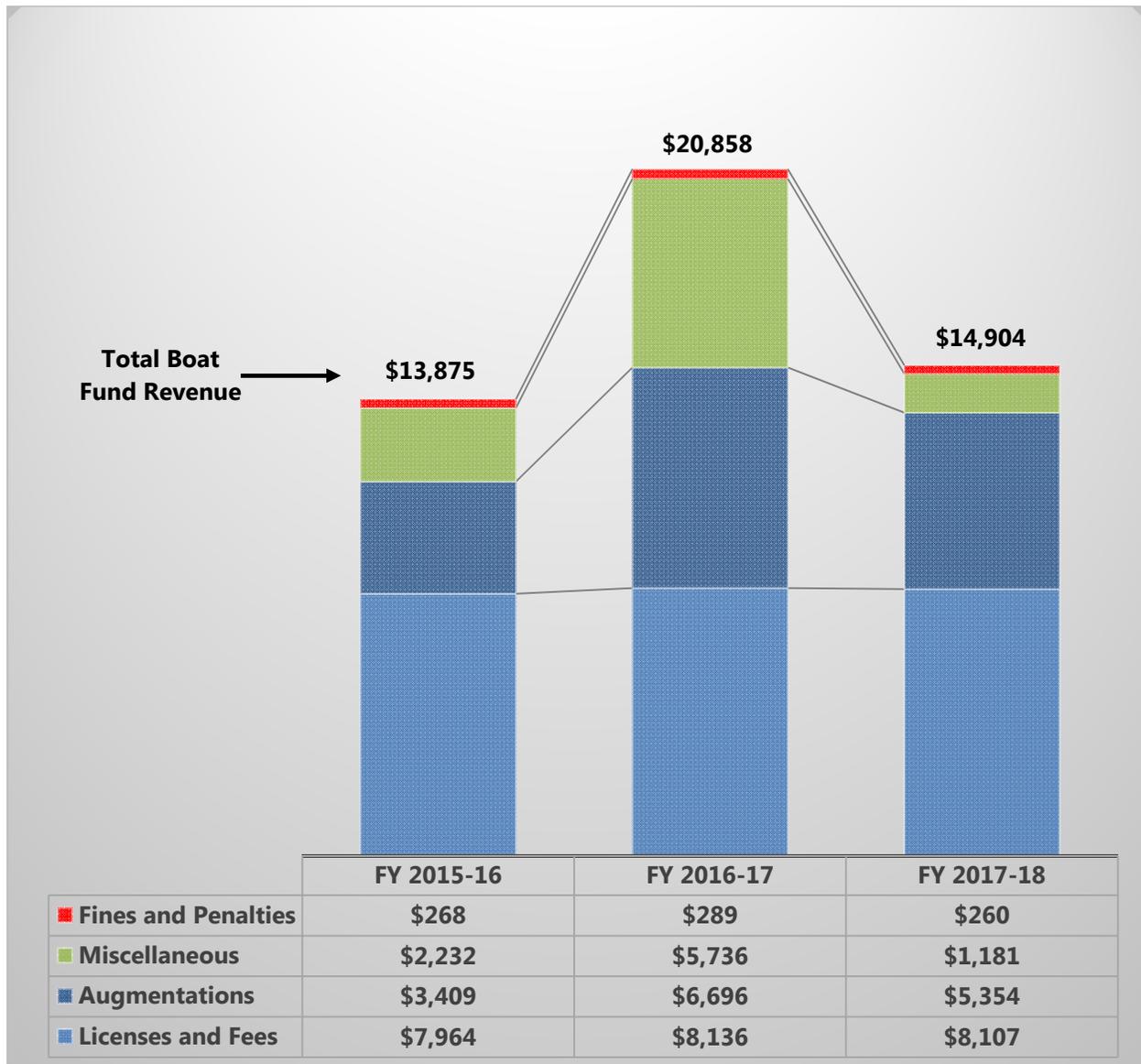


Exhibit 7 continued

Boat Fund Revenues (\$000)



Source: Developed by LBFC staff from PFBC financial statements.

To highlight these trends, using the revenue data presented in Exhibit 7, we also calculated the percentage increase by year, as well as over the three-year period (FY 2015-16 through FY 2017-18). The results are presented in Exhibit 8 that follows:

Exhibit 8

**Fish Fund and Boat Fund – Revenue Categories
Percentage Increase/Decrease
By Fiscal Year and By Review Period**

Fish Fund	First Year	Second Year	Three Year Trend
	FY 2015-16 to FY 2016-17	FY 2016-17 to FY 2017-18	FY 2015-16 to FY 2017-18
	Percentage Increase or (Decrease)		
Licenses & Fees	(2.2)	0.8	(1.5)
Fines & Penalties	(22.1)	3.6	(19.3)
Miscellaneous Revenues	11.8	51.5	69.3
Augmentations	(9.6)	(13.4)	(21.7)
Fish Fund Total	(3.7)	(0.5)	(3.2)

Boat Fund	First Year	Second Year	Three Year Trend
	FY 2015-16 to FY 2016-17	FY 2016-17 to FY 2017-18	FY 2015-16 to FY 2017-18
	Percentage Increase or (Decrease)		
Licenses & Fees	2.2	(0.4)	1.8
Fines & Penalties	7.6	(9.9)	(3.0)
Miscellaneous Revenues	156.9	(79.4)	(47.1)
Augmentations	96.4	(20.0)	57.0
Boat Fund Total	50.3	(28.5)	7.4

Source: Developed by LBFC staff from PFBC financial statements.

PFBC Revenue Analysis

In looking at Fish Fund and Boat Fund revenues (FY 2015-16 through FY 2017-18) we observed the following trends:

- Licenses and fees were the largest revenue source for both funds, accounting for 68 percent of all Fish Fund revenue and 54 percent of all Boat Fund revenue in FY 2017-18.
- While licenses and fees represent the largest source of revenue for each fund, this category is also decreasing for the Fish Fund and relatively flat for the Boat Fund. For the Fish Fund, over the three-year period reviewed, licenses and fees decreased 1.5 percent, while the Boat Fund saw a modest growth of 1.8 percent.
- Both funds benefitted from increases in miscellaneous revenue and through augmentations (mostly federal funding). Further, fines and penalties, the smallest revenue category for each fund, have been

decreasing. This decrease may be explained by vacancies in the PFBC's WCO complement (see also Section IV – Issue Area C).

More specific to each fund, and the line-items that constitute each revenue category, we observed the following:

Fish Fund

- Within the license and fee revenue category, the largest line-item was the resident fishing license, which provided about \$14.7 million in FY 2017-18, or 57 percent of all license and fee revenue. Over the three-year period, this line-item decreased by 5.1 percent.
- Augmentations represented the second largest revenue contributor to the Fish Fund. Within this revenue category, the line items for the federal Sport Fish Restoration Act Program (\$6.1 million) and the State Wildlife Grant Program (\$.08 million) constituted 84 percent of revenue in the augmentation category. Over the three years reviewed, augmentations were down 21.7 percent.
- Within the miscellaneous revenue category, the line item "interest on securities and deposits" constituted 71 percent of total miscellaneous revenue in FY 2017-18. This line item is driven by investments made by the Department of Treasury on funds held in the Fish Fund. During the three-year review period, a 138.6 percent increase was observed in this line item, which largely contributed to the 69.3 percent increase in miscellaneous revenue over the three years.

Boat Fund

- The major source of license and fee revenue for the Boat Fund was motorboat registration fees. In FY 2017-18, \$7.3 million was collected, which represented about 90 percent of the total license and fees category. Over the three-year review period, this line item increased by 2.5 percent.
- Augmentations were the second largest contributor of total Boat Fund revenues. Augmentations increased significantly (96.4 percent) from FY 2015-16 to FY 2016-17, which was driven by increases in the line items for Sport Fish Restoration (\$4.1 million), a federally funded program that provides grant funds to states for fishery projects, boating access and aquatic education.¹⁴ This line item has since decreased; however, over the three-year period, a 57 percent increase was witnessed in augmentations.

¹⁴ U.S. Fish & Wildlife Service, Wildlife & Sport Fish Restoration Program, see also <https://wsfrprograms.fws.gov/subpages/GrantPrograms/SFR/SFR.htm>, accessed December 7, 2018.

- The Boat Fund also saw large variances in miscellaneous revenue. For example, from FY 2015-16 to FY 2016-17, a 156.9 percent increase was witnessed. The following year, FY 2017-18, miscellaneous revenue fell by 79.4 percent, which helped contribute to an overall three year decline of 47.1 percent. These variances were attributable to timing variances on when refunds from the Oil Company Franchise Tax (OCFT) were received.¹⁵ Specifically, OCFT refunds are calculated on a calendar year basis, but the funds are not typically transferred until the following fiscal year. However, in FY 2016-17, two years' worth of payments were received: the CY 2015 payment was received in July 2016, and the CY 2016 payment was received in May 2017, which artificially inflated miscellaneous revenue for that fiscal year. As a result, in FY 2017-18, the Boat Fund received \$0 in refunds; however, in FY 2018-19 it received \$2.5 million for CY 2017.

C. Expenditures

Because of the different intended purposes of the Fish Fund and the Boat Fund, the PFBC tracks expenditures separately from each respective fund (see section that follows). For each fund, the PFBC uses standard Commonwealth accounting practices and groups expenditures (commitments) by major object spending.

According to the Governor's Office of the Budget, major objects include first-level expenditure groupings and include the following:¹⁶

Personnel expenses are the largest share of expenses for both funds.

Personnel. Includes the cost of salaries and wages, and the share of payroll taxes and employee benefits paid to (or on behalf of) state officials and employees for services rendered. Additionally, includes the share of unemployment compensation, and leave payouts. For both funds, personnel expenses represented the largest share of total expenses.

Operational Expenses. This category represents the next largest category of expenditures for the Fish Fund and the Boat Fund after personnel expenses. Operational expenses include expenditures used in the normal operation of the agency, including:

¹⁵ Under 75 Pa C.S. §§ 9017(c) and 9511(i) the PFBC may petition the Board of Finance and Revenue (BFR) for a refund of oil company franchise taxes. This refund is based on PA registered boat owners who purchased liquid fuels for the operation of motorboats used on PA waterways. Once approved by BFR, these funds are transferred from the Motor License Fund to the Boat Fund. A significant portion of these revenues are deposited into a restricted revenue account and are used exclusively for hazardous dams.

¹⁶ See Governor's Office of the Budget, Management Directive 310.3, Amended, April 4, 2018.

- Commodities, substances, or manufactured articles which are used or consumed in current operations or processed in the construction or manufacture of articles.
- Equipment, leased software, expendable tools, and other articles not meeting the criteria below for fixed assets.
- Services performed by Commonwealth or outside agencies or contractors which may include the use of equipment or the furnishing of commodities in connection with these services under express or implied contracts.

Fixed Assets. Assets of a long-term character such as buildings, machinery, furniture, and other equipment costing more than \$5,000 and that meet the following criteria:

- Items can be expected to have a useful life of more than one year.
- Items that can be used repeatedly without materially changing or impairing its physical condition and that can be kept in serviceable condition by normal repair, maintenance, or replacement of parts or components.
- Includes livestock, game, and poultry, breeding, land acquisitions or construction of buildings and structures, capital improvements to buildings and structures, and nonstructural improvements.

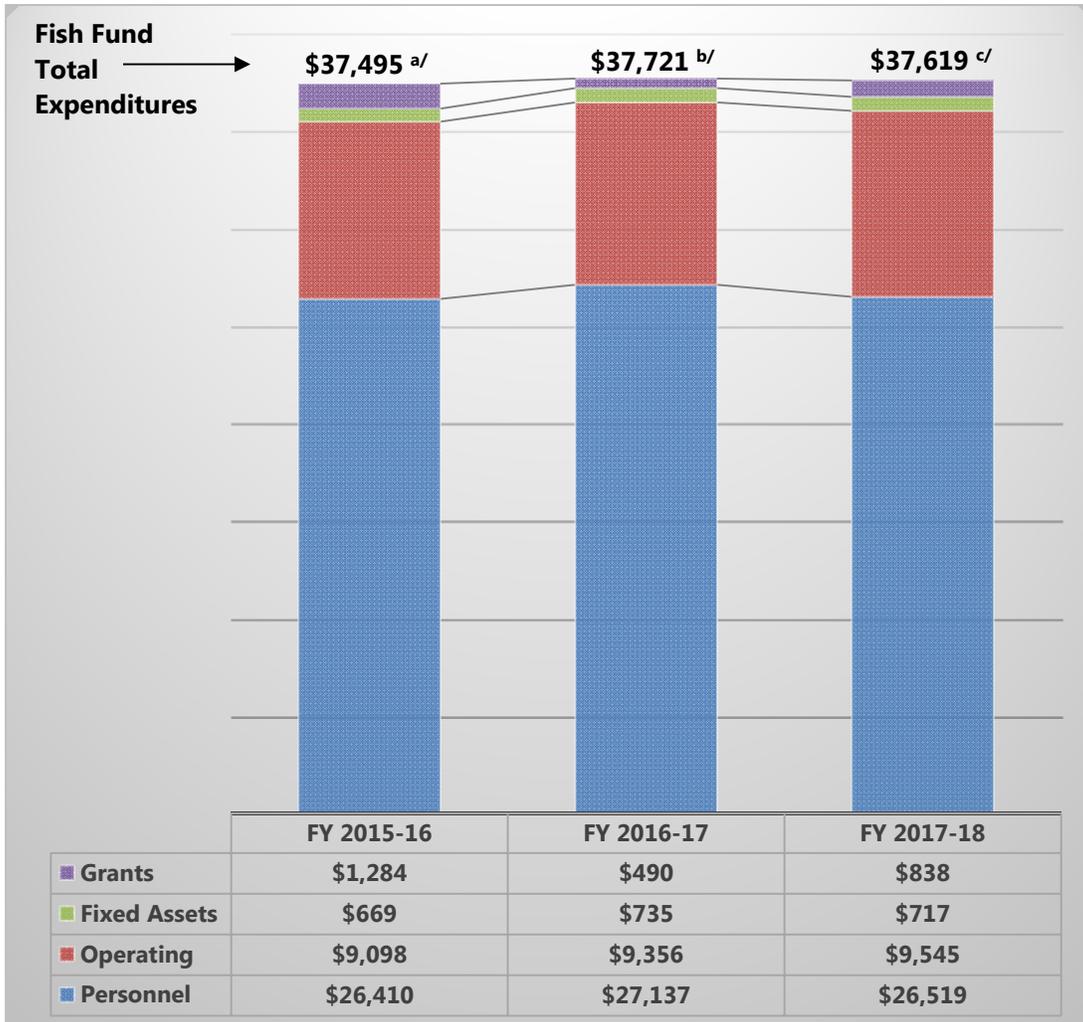
Grants. Payments made by the agency to political subdivisions, individuals, institutions, and organizations for which no direct services are rendered.

Non-Expense. A disbursement of funds that is not considered an expense, such as a loan. During the review period, for both funds, this category had infrequent expenditures and/or contained negative amounts.

For the period under review (FY 2015-16 through FY 2017-18), we obtained PFBC major object expenditure information on a cash flow basis. Exhibit 9 lists these amounts for both the Fish Fund and the Boat Fund.

Exhibit 9

Fish Fund Expenditures (\$000)*



Notes:

*/ Based on each fiscal year's total expenditures, which includes expenditures paid after June 30 of each respective fiscal year.

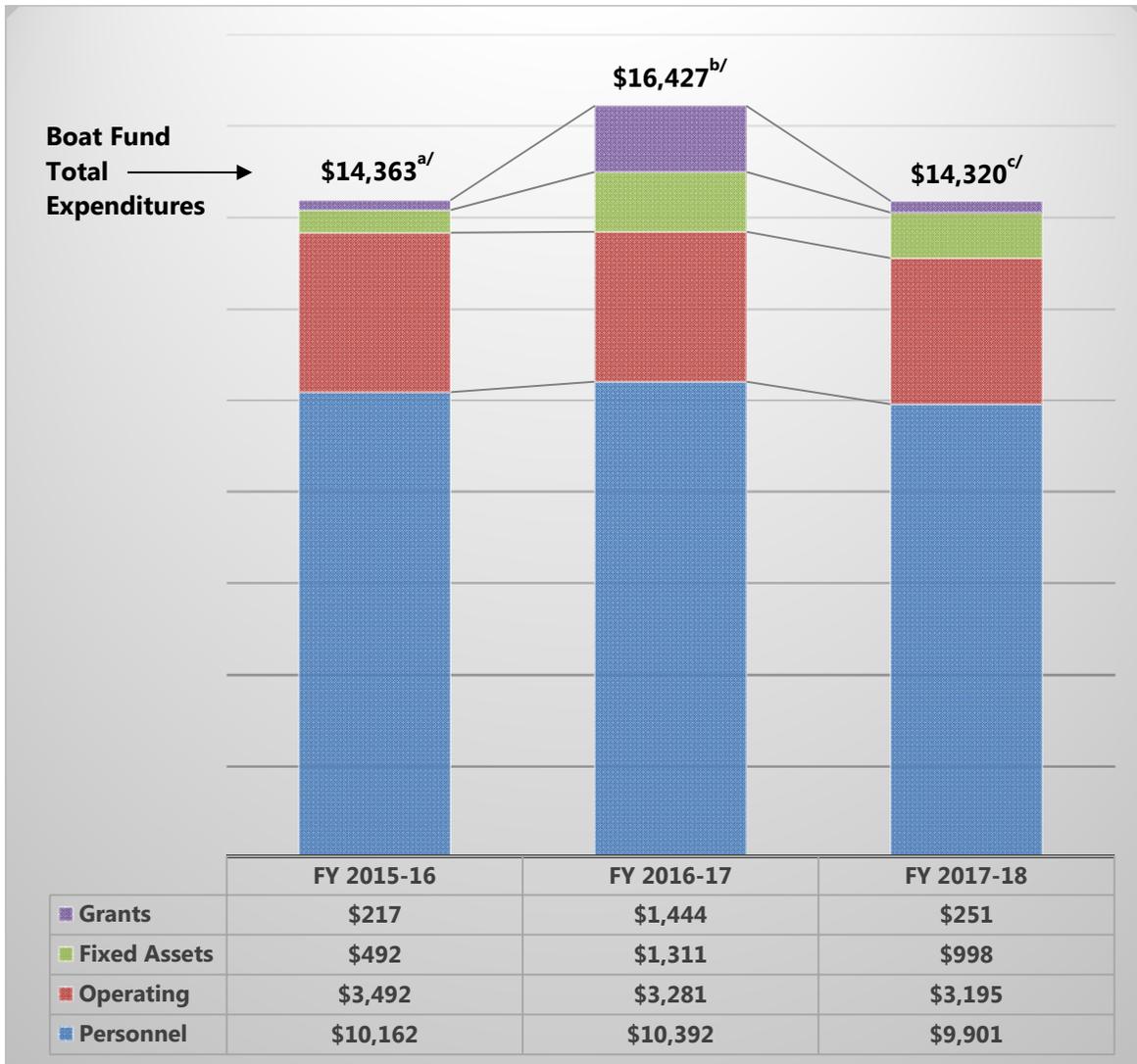
a/ Fund total includes \$33,705 in non-expense expenditures.

b/ Fund total includes \$3,000 in non-expense expenditures.

c/ Fund total includes \$21 in non-expense expenditures.

Exhibit 9 continued

Boat Fund Expenditures (\$000)*



Notes:

*/ Based on each fiscal year's total expenditures, which includes expenditures paid after June 30 of each fiscal year.

a/ Fund total includes a reduction of \$161 for non-expense expenditures.

b/ There were no non-expense expenditures in this year.

c/ Fund total includes a reduction of \$24,954 for non-expense expenditures.

Source: Developed by LBFC staff from PFBC financial statements.

As shown above, personnel and operating expenses account for the majority of the PFBC's spending. These two categories represented 96 percent of Fish Fund total expenditures and 90 percent of Boat Fund total expenditures, respectively.

To more closely view the trends in expenditures by major object, we also calculated the percentage change from the Fish Fund and the Boat Fund. Our results are presented in Exhibit 10,

Exhibit 10

Fish Fund and Boat Fund – Major Object Expenditures* Percentage Increase/Decrease By Fiscal Year and By Review Period

Fish Fund	First Year FY 2015-16 to FY 2016-17	Second Year FY 2016-17 to FY 2017-18	Three Year Trend FY 2015-16 to FY 2017-18
	Percentage Increase or (Decrease)		
Personnel	2.8	(2.3)	0.4
Operating	2.8	2.0	4.9
Fixed Assets	9.9	(2.4)	7.2
Grants	(61.8)	71.0	(34.7)
Fish Fund Total	0.6	(0.3)	0.3

Boat Fund	First Year FY 2015-16 to FY 2016-17	Second Year FY 2016-17 to FY 2017-18	Three Year Trend FY 2015-16 to FY 2017-18
	Percentage Increase or (Decrease)		
Personnel	2.3	(4.7)	(2.6)
Operating	(6.0)	(2.6)	(8.5)
Fixed Assets	166.5	(23.9)	102.8
Grants	565.4	(82.6)	15.7
Boat Fund Total	14.4	(12.8)	(0.3)

Note:

*/Calculations are based on each fiscal year's total expenditures; thus, expenditures made after June 30 of each fiscal year are included. Additionally, non-expense expenditures were minimal; therefore, we did not calculate percentage change for this expense category.

Source: Developed by LBFC staff from PFBC financial statements.

PFBC Expenditure Analysis

As shown above, PFBC's expenditures have been influenced by the Spending Reallocation Plan, which strived to hold spending below revenues. Over the three year period, there was just a 0.3 percent **increase** in total expenditures from the Fish Fund, and a 0.3 percent **decrease** in total expenditures from the Boat Fund.

As shown in the previous exhibits, the majority of PFBC expenditures fall under the personnel and operating expenditure groupings. With respect to personnel expenses, over the three-year period personnel expenses

from the Fish Fund grew by just 0.4 percent, and personnel expenses decreased by 2.6 percent from the Boat Fund. Given the mandated increases in expenses for healthcare, negotiated salary increases for employees covered by labor agreements, and pension-related costs for all agency employees, the PFBC has done a good job in controlling the growth of this significant expense category.

With respect to operating expenses, the Fish Fund saw a modest increase of 4.9 percent over the three-year period, while the Boat Fund witnessed an 8.5 percent decrease over the same period. Here again, the PFBC has done a notable effort in controlling cost drivers within this expense category.

With respect to fixed assets and the Fish Fund, there was a 7.2 percent increase over the three-year period. This increase, while greater than the increases realized in personnel and operating expenses, was still a modest growth for the three-year period. Boat Fund fixed asset spending saw much more volatility—having risen by 102.8 percent—over the three years. PFBC officials informed us that this spending was related to the purchase of a new building and renovations for its Centre County staff during the 2016 and 2017 fiscal years.

Finally, grant spending, which is mostly driven by federal funding, saw the greatest volatility. For the Fish Fund, grant expenditures decreased by 34.7 percent over the three years. This fluctuation is due in part to the decrease in federal augmentations into the Fish Fund. Grant spending from the Boat Fund saw the greatest volatility of any category in either fund. For example, there was a large increase of 565.4 percent from FY 2015-16 to FY 2016-17, which was then offset by a subsequent 82.6 decrease from FY 2016-17 to FY 2017-18. Over the three period, grant spending increased by 15.7 percent; however as discussed in the Revenue section of this report, these fluctuations are explained by the augmentations received under the Sport Fish Restoration Program.

D. Bureau Cost Allocation

The Fish and Boat Code requires that the revenue collected in each fund may only be used for the purposes delineated by the Code. In simple terms, this requirement means that fishing-related activities are paid from the Fish Fund, and boating-related activities are paid from the Boat Fund. While this requirement seems straight-forward, in actual practice it is somewhat difficult because with the exception of the Bureau of Fisheries and the Bureau of Hatcheries, every bureau has partial activity related to either fishing or boating.

The PFBC must allocate expenses between the Fish Fund and the Boat Fund.

A cost distribution formula aids in this process.

To meet this challenge, in FY 1994-95, PFBC staff conducted a comprehensive cost analysis of each bureau to determine what percentage of each bureau's expenditures should be applied to either the Fish Fund or the Boat Fund. For example, assume a fixed asset expenditure cost the PFBC \$100,000. If the asset was used in a bureau where 60 percent of its activity pertained to fishing-related activities and 40 percent pertained to boating-related activities, the PFBC would have coded \$60,000 of the total expense to the Fish Fund and the remaining \$40,000 to the Boat Fund. This cost distribution schedule remains in effect today.

As shown in Exhibit 11, we totaled PFBC spending over the three years and reviewed the PFBC cost allocations by fund and bureau. We found the following:

- Over 50 percent of total agency spending is concentrated within the Bureau of Law Enforcement and the Bureau of Hatcheries.
- PFBC spending within the Bureau of Fisheries and Bureau of Hatcheries is entirely allocated to the Fish Fund, with no cost activities related to the Boat Fund. Both bureaus combined expenditures represent 39.4 percent of total agency spending, and 55.2 percent of Fish Fund expenditures across the three-year review period.
- Special Projects and Programs represented 6.2 percent of total agency spending. This cost center is separate from each bureau's annual operating budget, and the expenditures are controlled and managed by the Executive Office. The cost center includes all infrastructure, fixed assets, equipment needs and grant related expenditures.

Exhibit 11

**Total PFBC Expenditures by Organizational Segment
(Fish Fund and Boat Fund)
FY 2015-16 through FY 2017-18
(\$000)**

Organizational Segment	Fish Fund Spending		Boat Fund Spending		Total PFBC Spending	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Executive Office and Chief Counsel	\$2,968	2.7	\$1,908	4.3	\$4,876	3.1
Bureau of Law Enforcement	20,859	18.7	15,194	33.9	36,053	23.0
Deputy for Administration	1,198	1.1	3,091	6.9	4,289	2.7
Bureau of Information Technology	2,166	1.9	1,434	3.2	3,600	2.3
Bureau of Administration	7,335	6.6	5,364	12.0	12,699	8.1
Deputy Director for Field Operations	91	0.1	48	0.1	139	0.1
Bureau of Outreach, Education, and Marketing	3,896	3.5	3,376	7.5	7,272	4.6
Bureau of Fisheries	18,559	16.6	0	0.0	18,559	11.9
Bureau of Hatcheries	43,110	38.6	0	0.0	43,110	27.5
Bureau of Engineering	7,442	6.7	8,820	19.7	16,262	10.4
Special Projects and Programs	4,067	3.6	5,562	12.4	9,628	6.2
Total PFBC Expenditures	\$111,690	100.0%	\$44,798	100.0%	\$156,488	100.0%

Source: Developed by LBFC staff from PFBC financial statements.

Overall, the largest organizational spending category for the Fish Fund was within the Bureau of Hatcheries (38.6 percent), followed by the Bureau of Law Enforcement (18.7 percent). The largest organizational spending category for the Boat Fund was within the Bureau of Law Enforcement (33.9 percent), followed by the Bureau of Engineering (19.7 percent). Both the Fish Fund and Boat Fund spending as aforementioned remains below revenues and consistent with the PFBC's Spending Reallocation Plan.

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SECTION IV OTHER ISSUES



Fast Facts...

- ❖ *Over the last decade, resident license fishing sales—the largest source of revenue to the Fish Fund—have declined 14 percent. Conversely, nonresident sales have been steady or increasing. The PFBC and the General Assembly need to consider these trends as part of a larger consideration of future license fee options.*
- ❖ *The PFBC operates a robust and beneficial fish propagation and stocking program for PA anglers. We also found the cooperative nursery program to be a beneficial agency program, as it increases angler participation and enhances aquatic resource awareness and education for Pennsylvanians.*
- ❖ *To fill the expected need for conservation officers, we encourage the PFBC to consider hiring cadets who have already completed Act 120-required law enforcement training.*

Overview

This report section presents the remaining results of our review of the Fish and Boat Commission. Specifically, we reviewed the following:

- A. Fishing License Sales Trends.
- B. Bureau of Hatcheries: Operational Review and the Cooperative Nursery Program.
- C. Bureau of Law Enforcement: Complement Capacity.
- D. Status of Prior Recommendations.

We reviewed license data from 1922, through December 2018, to identify trends in fishing license sales. Fishing licenses sales are significant to the PFBC as it is the primary revenue generator for the Fish Fund and the agency overall. Using this data, we identified the years when license fees were increased, and the impact that those fee increases had to resident sales in the year after a fee increase. We chose to conduct this expansive review because we wanted to highlight two important aspects about license sales: 1) overall, resident sales continue to decline; and 2) while increasing license fees creates additional revenue, it also typically caused a reduction in resident licenses sold in the first year after the increase took effect. These trends are troubling for the PFBC, and going forward, new approaches to solve these issues will need to be considered. To that end, we also include options for what we consider reasonable preliminary fishing license fee increases.

Regarding the PFBC's Bureau of Hatcheries (BOH), we conducted a brief operational review because this bureau accounts for the largest expenditure from the Fish Fund. We also reviewed the cooperative nursery program, which gives fish spawned by the PFBC to sponsors, who then raise and release the fish into Pennsylvania's waterways. We reviewed the PFBC's oversight of the program to ensure that the agency was adequately monitoring its program participants.

We also reviewed the Bureau of Law Enforcement and its operational capacity. This bureau has been constrained by funding limitations. As such, the Bureau of Law Enforcement has not held a new training class for waterway conservation officers since 2016 despite having numerous vacancies.

Finally, we provided a status update regarding the recommendations we made in our 2016 report.

Issue Areas

A. Fishing License Sales Trends

Historical Trend

The longest sustained period without a license fee increase was 19 years.

This year, the PFBC is now in its 2nd longest period without a fee increase.

We obtained and reviewed historical license sales data from the PFBC for the period 1922-2018. Over this nearly 100 year period, the PFBC had 11 different fishing license fee increases. On average, fee increases have occurred every 8 years, with the longest period of sustained fees (i.e., no license increase) being 19 years, which occurred between 1928 and 1947. By contrast, the shortest period of sustained license fee increases occurred between 1954 and 1956.

While 19 years is a significant period of license fee stability, it is also an “outlier” period in that it was a period of great economic and geopolitical turmoil. For example, in 1929, the stock market crashed, which gave way to the Great Depression (1929-1939) and staggering periods of unemployment and economic stagnation. This time period also saw the United States embroiled in World War II in both the Pacific and European theaters (1941-1945). Although there is no conclusive evidence to tie these historical events with the license fees remaining static, undoubtedly, these factors had some impact on policymakers’ reasoning to not raise fees sooner.

Fishing license fees were last increased in 2005.¹⁷ As such, with 13 years having now elapsed since the last fee increase, the PFBC is currently in the second longest era without a fee increase.¹⁸ This occurrence is notable because within the next five years additional revenue will be needed to sustain the Fish Fund; however, as we will discuss in the next section, increasing license fees has had unintended consequences on sales volumes in the year after a license increase takes effect.

Impact of License Fee Increases

In looking at licensing eras more closely, we also reviewed the impact of license fee increases in the year directly after the license increase took effect. In other words, we reviewed the data to address this question:

¹⁷ As discussed in our 2016 report, fishing license fees were reduced by \$1.00 in 2015, as a means of trying to increase license sales. As we reported, this fee reduction did not result in additional revenue to offset the fee decrease. The PFBC no longer offers this discount, and fees were returned to the level before the reduction, which was \$21.00 for a resident fishing license.

¹⁸ Until 2018, the 12-year period between 1983 and 1995 had been the second longest time period without a license fee increase.

historically, after a license increase was enacted, what happened to resident license sales in the following year?

We found that there is a propensity for resident license holders to not purchase licenses in the first year after a license fee increase. This behavior could be a “rebellion” against the higher fee—but whatever the cause—the effects are clear: in seven of the last nine measurable license fee increases, resident license sales decreased in the year directly after the increase took effect.

Historically, after a resident license fee increase, sales immediately declined—but sales growth over the period usually rebounds to make up for the initial loss.

That trend is no longer the case as the PFBC has had negative sales growth in recent years.

For example, as shown on Exhibit 12, the red boxes (■) between the fee periods indicate there was an immediate drop in resident sales after a license fee increase, and the green boxes (■) indicate a positive or neutral effect after the license fee increase took effect. As shown, only twice did resident sales actually increase in the year after a license fee increase took effect. Typically after a license fee increase, resident sales decreased in the subsequent year, and sometimes by double digits. More recently, after the last license increase in 2004, resident sales decreased by 8.5 percent in 2005.¹⁹ Prior to that increase, when fees were increased in 1995, resident sales dropped by 8.8 percent from 1995 to 1996.

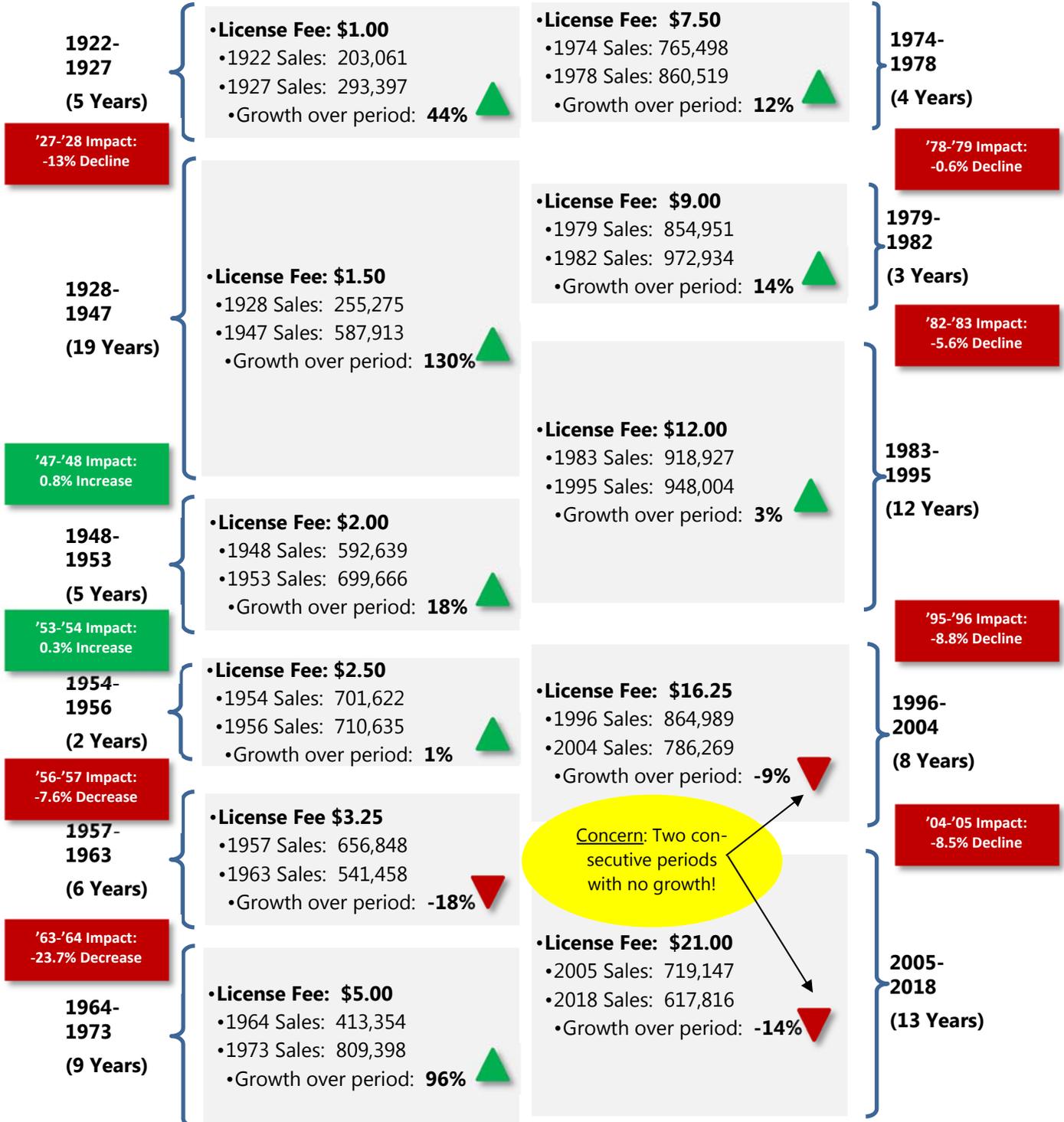
Additionally, as shown on Exhibit 12, it is important to highlight the growth in resident license sales (i.e., the cumulative increase/decrease) during each of the license fee periods. For example, as highlighted by the green arrows (▲ = positive growth) and red arrows (▼ = negative growth), with the exception of one anomaly period from 1957-1963, there was positive sales growth in each license period from 1922 through 1995. We are uncertain (as was the PFBC) why sales decreased so dramatically during the 1957-1963 era, but by 1967, the trend reversed itself and resident sales increased.

The conclusion to be drawn here is that while resident license fees may have dipped right after the fee increase, the resident license sales did ultimately recover—and continued to do so through 1995. However, since 1995, that situation is no longer the case, and resident license sales have continued to decline. It is this more recent trend of declining resident sales that is a significant issue for the PFBC, and which we will discuss further in the section that follows.

¹⁹ Our analysis is based on resident licenses sold. Although this is only one license category, it constitutes the greatest percentage of licenses sold and is the largest generator of revenue for the PFBC. Additionally, our analysis does not include multiyear license sales, of which the PFBC reported an additional 57,556 licenses. We excluded these license sales because multiyear license were not an option in previous licensing periods. Nevertheless, even including these sales, resident sales still declined by 6 percent from 2005-2018.

Exhibit 12

Historical License Fee Increases and the Impact on Resident Licenses Sales (1922-2018)



Source: Developed by LBFC staff from information obtained from the PFBC.

As we noted in Section III of this report, the PFBC currently has sufficient reserve balances in the Fish Fund and the Boat Fund to sustain operations. This condition was created through the PFBC's implementation of its "Spending Reallocation Plan," which has held expenses below available revenues. While this accomplishment is noteworthy in the short-term, it is not sustainable in the long-term because expenses will outgrow existing revenue streams.²⁰ Exactly when expenses will outpace revenues is influenced by many factors; however, given current spending scenarios for the Fish Fund, PFBC staff believe by FY 2022-23 it will need to begin using reserve balances from the Fish Fund. Consequently, if the agency intends to sustain a healthy reserve fund balance going forward, it is critical to find additional revenue from a fee increase prior to that time.²¹

Recent Resident License and Total Units Sold Trends

The fact that license fee hikes can negatively impact license sales in subsequent years brings forth another significant issue: at a time when the PFBC is already seeing decreasing sales to resident anglers, it may be unwise to raise fees and potentially further reduce the very population it serves. To demonstrate this proposition, we looked at the year-to-year trends in resident fishing license sales and total units sold since 2008.

We chose to analyze resident license sales because it is the license category that serves the greatest population, and it is the primary revenue generator for the Fish Fund. We acknowledge there are some limitations in reviewing just this category. For example, over the last decade, the PFBC has introduced a multitude of additional licenses, such as multi-year licenses, discount licenses, and one-day licenses. It is possible that these additional license varieties may have negatively influenced the sale of traditional license sales (e.g., as more license variety is offered, it will likely draw purchasers from the traditional resident angler license base). Therefore, to compensate for this occurrence, we also looked at total units sold, which is the sum of all license types sold (resident, nonresident, multi-year, etc.). In this manner, if resident license sales decrease and total units sold decrease, it would be reasonable to assume that overall participation has declined.

As shown in Exhibit 13, for the period 2008-2018, resident license sales decreased from 719,545 licenses sold in 2008 to 617,816 resident licenses

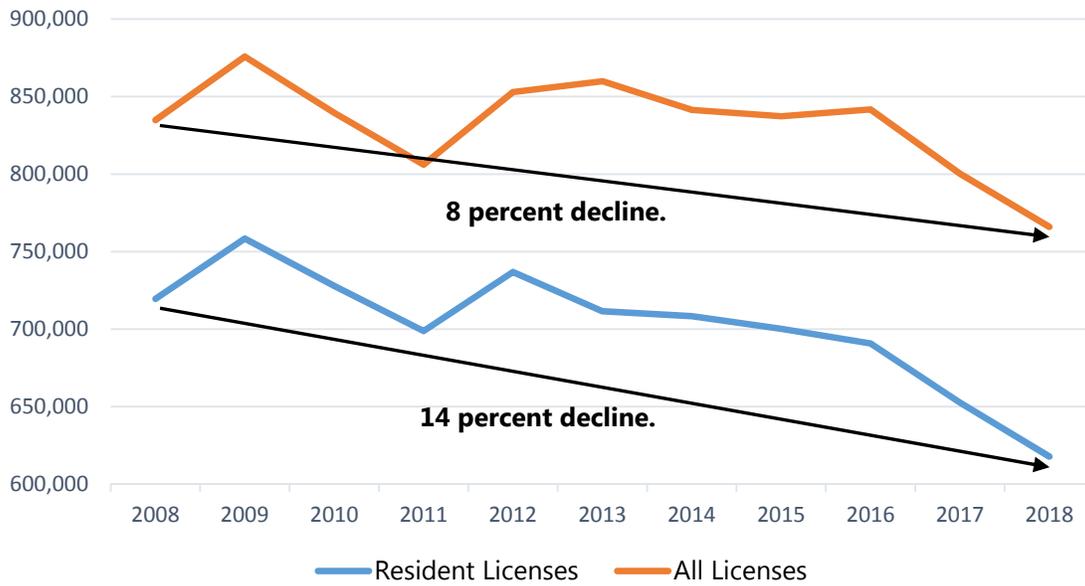
²⁰ We recognize that an alternative to flat revenue streams is to further reduce expenses. See also our operational review of the Bureau of Hatcheries and its impact to the Fish Fund (Issue Area B) for further information on this concept.

²¹ It is important to note that a license fee increase would likely require one to two years of lead time before the increased revenue from the new fees would reach the agency; therefore, negative sales growth can be a significant factor when projecting revenues.

sold in 2018, a 14 percent decline. Additionally, total units sold decreased from 834,838 units to 765,983 units in 2018, an eight percent decline.²² Clearly, these trends indicate an overall waning participation rate, and especially so, for resident license sales.

Exhibit 13

**PFBC Resident Fishing License Sales and Total License Units Sold
2008-2018**



Year	Resident Licenses Sold	Percent Increase or Decrease over Prior Year	Total License Units Sold	Percent Increase or Decrease over Prior Year
2008	719,545	n/a	834,838	n/a
2009	758,434	5.4	875,762	4.9
2010	727,907	-4.0	839,567	-4.1
2011	698,738	-4.0	806,162	-4.0
2012	736,867	5.5	852,945	5.8
2013	711,462	-3.4	859,863	0.8
2014	708,281	-0.4	841,420	-2.1
2015	700,223	-1.1	837,324	-0.5
2016	690,777	-1.3	841,743	0.5
2017	652,546	-5.5	800,240	-4.9
2018	617,816	-5.3	765,983	-4.3

Source: Developed by LBFC staff from information provided by the PFBC.

²² Total units sold decreased by a smaller percentage because of nonresident sales activity. See the section that follows on nonresident sales.

In addition to the overall decline in license sales, for the last six years, resident sales alone have declined each year, with sales declining by more than five percent in each of the last two years. As discussed in the next section, while total units sold has decreased over the period, there has been some growth in nonresident sales, which has helped to slow the decline in total units sold.

Nonresident License Sales Trends

While resident license sales is a troubling trend, it is interesting to note that nonresident license sales categories have generally seen increases over the same period. This trend is one reason why total licenses sales have not decreased as precipitously as resident sales.²³

Exhibit 14 highlights sales trend data for nonresident licenses, 7-day tourist, 3-day tourist, and 1-day tourist fishing licenses for the period 2008-2018.²⁴

²³ Increased sales of senior resident and senior lifetime resident sales over the review period also contribute to this difference.

²⁴ The PFBC sells other nonresident licenses including three-year, five-year, and ten-year nonresident multiyear licenses. The PFBC sells very few of these licenses (generally less than a 1,000 for all categories combined); thus, we did not include these categories in our analysis.

Exhibit 14

**PFBC Nonresident Fishing License Sales
 2008-2018**

Year	General Nonresident Licenses Sold	7-Day Tourist Licenses Sold	3-Day Tourist Licenses Sold	1-Day Tourist Licenses Sold
2008	39,760	7,168	24,864	6,156
2009	41,259	7,382	25,934	5,670
2010	40,377	6,833	24,871	5,136
2011	38,052	6,812	22,984	4,752
2012	40,083	6,976	24,081	5,168
2013	39,115	7,174	24,669	5,373
2014	38,946	7,310	24,710	5,426
2015	39,672	7,343	25,589	5,342
2016	39,736	7,262	24,811	4,635
2017	41,308	7,794	26,134	4,998
2018	41,095	7,457	24,717	4,933
2008 thru 2018	3.4 Percent Increase ↑	4.0 Percent Increase ↑	-.6 Percent Decrease ↓	-19.9 Percent Decrease ↓
License Fee*	\$52.90	\$34.90	\$26.90	\$26.90

Note:

*/ Includes \$1 issuing agent fee and \$.90 electronic processing fee.

Source: Developed by LBFC staff from information provided by the PFBC.

As shown in the exhibit above, the general nonresident license and the 7-day tourist license have increased sales by 3.4 percent and 4.0 percent, respectively. This trend is a stark contrast to resident license sales, which decreased by more than twice that amount over the same review period. Additionally, the 3-day tourist license has also remained relatively stable with only a -0.6 percent decrease in sales. These trends are encouraging signs for potential tourism opportunities and the value that nonresidents see in Pennsylvania’s fishing opportunities.

Of concern; however, is the one-day tourist license. This category declined nearly 20 percent over the period reviewed. We discussed this license category with PFBC management, who noted that the license category—although declining in sales—remains a popular option for charter boat operators, who offer one-day fishing tours on Lake Erie.

Future License Fee Considerations

As previously discussed, the PFBC faces a “catch-22” situation in the coming years. On the one hand, it will need to raise fees on license holders to meet future agency service commitments—on the other hand—raising fees has historically meant a decline in license sales, which for resident license sales are already suffering a serious decline.

In light of the PFBC’s need for additional revenue to the Fish Fund, we believe further consideration should be given to the license varieties offered to nonresidents. In support of this conclusion, we reiterate the following:

- 1) Generally, each time a license fee has been introduced there has been a subsequent decline in resident licenses sold.
- 2) With six consecutive years of downturn, resident license fees are in a steady decline; thus, future increases are likely only to further erode the resident angler base.
- 3) Conversely, nonresident licenses, and specifically, the general nonresident, 7-day tourist, and 3-day tourist licenses are all showing steady or increasing sales volumes. Consequently, any increase in fees to these categories, will likely have less of an impact on sales volumes.

Our revenue estimates are “best case scenarios” -- actual revenue will likely be less, but by how much is difficult to estimate.

Option #1: Eliminate 7-day and 3-day Tourist Licenses. The first option is to completely eliminate the 7-day and 3-day tourist license categories. By eliminating these categories, those holders would then need to purchase the slightly higher-priced general nonresident license. By moving tourist license sales to the general nonresident license category additional revenue will likely flow to the agency. Exactly how much more additional revenue is difficult to estimate, but using 2018 license sales data, current fee structures and a “best case scenario”, we estimate that more than \$750,000 could flow to the Fish Fund by taking this step.²⁵

Obviously, readers may question why we did not similarly suggest eliminating the 1-day tourist license. At this time, we believe there are compelling arguments for sustaining this license category. First, PA-based charter boat captains rely on this license category as part of their operations; thus, a significant change to this license could have the unintended

²⁵ We caution that actual revenue could also be less than this estimate. Our calculations assume that all 2018 holders of a 3-day or a 7-day license would still purchase a general nonresident license at \$52.90. For 3-day license holders this means they would have paid an additional \$26, and 7-day license holders would have paid an additional \$18. This analysis is a best case scenario, because the potential does exist that some current 3-day license holders may not purchase the full nonresident license, or they may just purchase a one-day license. Additionally, our calculations do not include sales from multi-year licenses.

consequence of harming Pennsylvania businesses. Second, with the elimination of the 3-day and 7-day licenses, the 1-day license category may see renewed interest as a less expensive alternative, and especially so since it is already priced the same as a 3-day tourist license. For this reason, it would be wise to first see how nonresident licenses are impacted overall, before making a wholesale change to all tourist license categories.

Option #2: Increase the General Nonresident License Fee. In light of the steady sales volume in this category, we believe a fee increase is also warranted and likely to be sustainable for this category. We reviewed nonresident license fees in other states and while these comparisons are not always “apples to apples,” we found that at \$52.90, Pennsylvania’s nonresident fee currently falls in about the middle of all other states, and it is the highest of the six contiguous states. By way of comparison, Alaska has the highest nonresident license fee at \$145, and Delaware is the lowest at \$20.

Accordingly, raising the nonresident fee to a hypothetical \$60.00 *and* eliminating the tourist licenses in option #1, would raise revenue to the Fish Fund by an estimated \$1.2 million per year.²⁶ Further, at \$60 per year, Pennsylvania would tie Louisiana and Mississippi as the 15th most expensive state for nonresident general license fees, which would still make Pennsylvania’s value reasonable to out-of-state anglers.

Option #3: Allow the PFBC Authority to Set Fees for All Licenses. This option is more of a “menu option” and would give the PFBC greater latitude in the fee setting process for all license varieties. By having greater authority in setting fees, the PFBC would then be able to respond to license trends more quickly, and do so in creative ways that minimize the effect to its primary stakeholders—resident anglers.

For example, if the PFBC had authority to set its own license fees, it could implement the above options and then moderate any impacts before seeking other necessary adjustments to resident licenses. In this way, more gradual and cautious fee adjustments can be made, which should help to minimize the disruptive nature of fee increases to license sales trends.

Additionally, we believe greater control in fee setting would allow the PFBC to respond better to license trends by creatively offering other multi-year licenses/combinations that may help to eliminate the churn seen in year-to-year resident license purchases.

²⁶ See previous footnote regarding the assumed scenarios for option #1. Additionally, this estimate assumes that all 2018 holders of a general nonresident, 3-day, or 7-day license purchased the new \$60 nonresident license. It does not include sales from multiyear licenses. It also assumes that the current processing fees would be included in the \$60 fee.

In looking to other states for comparisons, there is some precedent for allowing the PFBC to establish its own fees.²⁷ For example, Arizona, Kentucky, New Hampshire, Tennessee, and North Carolina are a few examples where the fee setting process is granted to the wildlife agency through rule making or the state regulatory process. Other states, such as West Virginia and California, tie fee increases to the Consumer Price Index, or other fiscal benchmarks. Conversely, New Jersey, which sets its fees in statute, allows its Fish and Game Council to make a one-time adjustment to the base fee, not to exceed a 10 percent increase. And in yet another example, New York—which recently experimented with lowering its license fees—sets fees in statute, but then requires an advisory council to make fee recommendations to the state wildlife commissioner.²⁸ In sum, there are many different examples to potentially explore.

Between 1990 – the peak year for resident license sales – and 2018 – sales declined by nearly 40 percent.

More importantly, as we demonstrated previously in Exhibit 13, resident license sales are declining and do not appear to be “catching up” as has occurred in previous licensing eras. This problem is significant to the agency, and especially so, when considering that it is the primary revenue generator for the Fish Fund. Consider further this fact: between 1990 (the peak license year for resident license sales) and 2018—which is essentially the span of one generation—there has been a 39.1 percent decline in resident sales. Stated simply, for an agency that relies so heavily on revenue from resident license sales, it must be as innovative as possible in retaining and serving its primary constituency and having greater authority to set fees would facilitate this innovation.

Because of the multitude of revenue outcomes that are available under this menu option, we do not provide any further estimates on potential revenue increases to the agency. We recommend the PFBC to have these strategic policy discussions with the Governor’s Office and the House and Senate Game and Fisheries Committees.²⁹

As a final point, we recognize the significant and justified oversight that has historically been placed on the PFBC regarding fee increases. This oversight has benefitted the agency as it has encouraged the PFBC to always “live within its means.” Nevertheless, with new problems confronting the agency, new methods that are timely and responsive must be explored to solve those problems among all stakeholders. We believe

²⁷ We caution using other states’ fee setting processes as comparative examples because there is great variability in how other states’ fund and administratively organize fish and wildlife management. For example, other states may supplement fish and wildlife agencies with taxpayer dollars, which makes revenue from licenses less significant. Pennsylvania is unique in that it is the only state that has separate and independent agencies for wildlife management and fish/boat management. Further, no General Fund dollars are used to support either agency.

²⁸ Any proposed fee changes are then transmitted to the Governor, the Legislature, and other concerned parties. The Governor may then submit a budget bill incorporating the fee changes to the legislature.

²⁹ It should be noted that similar legislation that would grant the PFBC this authority passed the Pennsylvania Senate in March 2017; however, that legislation ultimately did not pass the House of Representatives.

our tri-annual performance reports, as well as the annual report that the PFBC presents to the House and Senate Game and Fisheries Committees, will continue to provide information to aid in this critical oversight function, and especially for the fee setting process.

Recommendations

We recommend the following:

1. Absent new revenue streams that are not based on licenses, the PFBC should support a license fee increase that first targets nonresidents, before raising the license fee on resident licenses.
2. The PFBC should develop and transmit to the Governor, and the Senate and House Game and Fisheries Committees, a slate of possible fee increases for consideration.
3. The General Assembly should consider granting the PFBC more authority to set license fees. Such authority could be done on a trial basis, which would then allow our next performance review (FY 2021-22) to further evaluate the PFBC's license fee-setting process.

B. Bureau of Hatcheries: Operational Review and the Cooperative Nursery Program

In 2018, nearly 70 percent of the anglers that purchased a PFBC license also purchased one or more of the PFBC's specialty permits for trout or Lake Erie-specific fishing opportunities. As such, the propagation of trout and other sport fish species, which support these angling opportunities, is a significant program responsibility for the PFBC. This responsibility lies with the PFBC's Bureau of Hatcheries (BOH), and its network of 13 state hatcheries. In this Issue Area, we present an operational review of BOH, including the number and types of fish raised and stocked, as well as a limited discussion on the capacity of BOH operations, vis-à-vis stagnating revenues to the Fish Fund. Finally, as discussed later in this section, we reviewed BOH's cooperative nursery program, which also raises and releases BOH-propagated fish.

Operational Review

The Fish and Boat Code charges the PFBC with determining policy pertaining to the propagation and distribution or planting of fish produced

at the Commonwealth fish hatcheries or otherwise acquired.³⁰ To that end, the PFBC operates 13 state fish hatcheries (SFH) located in eight counties. The hatcheries are organized into northern and southern divisions, with seven hatcheries in the northern division and six in the southern division. Currently, 10 of the 13 hatcheries produce adult trout (see Exhibit 15 below).

Exhibit 15

**Bureau of Hatcheries – State Fish Hatcheries
(2018)**

TROUT HATCHERIES			
Hatchery	County	Number of Employees (Full Time/Seasonal)	Total Fish Production
Bellefonte	Centre	10/1	630,063
Benner Spring	Centre	19/6	781,290
Corry	Erie	6/2	448,040
Huntsdale	Cumberland	10/3	858,640
Oswayo	Potter	8/1	411,536
Pleasant Gap	Centre	10/2	762,550
Reynoldsdale	Bedford	7/2	631,580
Tylersville	Centre	9/3	586,206
NON-TROUT HATCHERIES			
Hatchery	County	Number of Employees (Full Time/Seasonal)	Total Fish Production
Tionesta	Forest	7/1	17,414,756
Pleasant Mount	Wayne	10/1	20,733,535
Linesville	Crawford	8/2	9,014,740
Fairview	Erie	4/1	273,886
Union City	Erie	4/1	148,779

Source: Developed by LBFC staff from information obtained from the PFBC staff.

³⁰ See 30 Pa.C.S. §2301(a).

Fish Production and Stocking. The PFBC propagated several varieties of fish including, coldwater (species that prefer water temperatures between 50-65 degrees), and coolwater/warmwater (species that prefer water temperature between 60-85 degrees). While all BOH staff participate in the propagation of different fish, most of BOH's activity centers on trout propagation and release.

- **Trout/Coldwater.** PFBC staff raise trout to adult size (average size 11 inches) on multi-year production schedules. The various species of trout raised include the following: brook trout, brown trout, rainbow trout, and golden rainbow trout. Fingerling trout (i.e., trout less than the minimum catch length of 7 inches) are also raised in a number of state hatcheries. These fish are stocked to provide angling opportunities on waters that may have trout fishery potential. In 2018, approximately 1.1 million fingerling trout were raised, most of which were stocked to continue to grow in the wild and provide future angling opportunities. In addition, a portion of these fingerlings were also distributed to various local sportsman's organizations that participate in the Cooperative Nursery Program (see section that follows) to raise to adult size and eventually to be stocked in waters open to angling.
- **Coolwater/Warmwater Species.** Coolwater/warmwater species include: smallmouth bass, striped bass, walleye, muskellunge, lake trout, rainbow steelhead trout, Lake Erie brown trout, and a variety of other fish accustomed to water of moderate to higher temperatures. The PFBC reports that, for the most part, these species are raised on an annual cycle and stocked before they reach adult size. Fish are stocked in waters where the natural production of young is impaired, or in waters which have adequate spawning conditions available to ideally support future populations. According to BOH staff, the expense of raising coolwater/warmwater fish is substantially less than the cost of raising trout, because trout are raised to larger sizes before being stocked.

Exhibit 16 provides further information on the number and type of species stocked for calendar year 2016, 2017, and 2018.

Exhibit 16

**Summary Information on BOH Species Stocking
CY 2016, 2017, 2018**

Species	2016	2017	2018	Total
Trout ^{a/}	4,748,760	5,051,397	5,023,406	14,823,563
Bass ^{b/}	524,864	481,255	103,626	1,109,745
Muskellunge ^{c/}	127,988	142,601	48,150	318,739
Walleye	32,187,177	31,842,748	46,337,250	110,367,175
Warmwater Trout ^{d/}	1,035,098	1,029,538	999,736	3,064,372
Catfish ^{e/}	123,630	100,250	87,529	311,409
Crappie ^{f/}	123,575	21,300	13,629	158,504
Shiner ^{g/}	39,300	16,050	750	56,100
Bluegill	9,700	40,386	34,800	84,886
Minnow ^{h/}	105,000	4,000	36,998	145,998
Yellow Perch	9,700	22,200	8,323	40,223
Brown Bullhead	289	27,600	0	27,889
Northern Pike	2,770	2,770	2,770	8,310
Chain Pickerel	0	2,758	1,637	4,395
American Shad	2,244,873	4,583,489	2,461,518	9,469,880
Total	41,282,724	43,368,342	55,340,122	139,991,188

Notes:

- a/ Includes brook, brown, rainbow and golden trout (adult, fingerling and cooperative nursery trout).
- b/ Includes largemouth, striped and striped hybrid bass.
- c/ Includes tiger and regular muskellunge.
- d/ Includes trout reared at warm/coolwater hatcheries: lake trout, rainbow steelhead trout, Lake Erie brown trout.
- e/ Includes flathead and channel catfish.
- f/ Includes black and white crappie.
- g/ Includes spottail and golden shiners.
- h/ Includes fathead minnow and bluntnose minnow.

Source: Developed by LBFC staff from information obtained from PFBC.

Operational Capacity. Within Section II of this report, we mentioned that BOH is one of two PFBC bureaus that are entirely funded from the Fish Fund.³¹ As such, BOH's operations and expenditures significantly impact the Fish Fund. For example, over the three years we reviewed (FY 2015-16 through FY 2017-18), BOH expenditures represented 38.6 percent of total spending from the Fish Fund, which was the largest of all organizational segments paid from the Fish Fund.

BOH expenditures are somewhat unique in that the expenditures result in a product (sport fish), which is then placed (stocked) for the enjoyment

³¹ The Bureau of Fisheries is the other bureau that is entirely funded from the Fish Fund.

and consumption of the PFBC's customers (license holders). Therefore, BOH expenditures, and by extension, its resulting production, represent one of the most tangible returns that licensee/permit holders see from the purchase of a license/permit. For example, if fewer fish are propagated, there are then fewer fish for stocking, which in turns means there are fewer fish for licensee/permit holders to catch—and especially so for trout fishing.

Within the next five years, the PFBC estimates that reserve funds from the Fish Fund will be needed to sustain operations. This condition is partly driven by the problems discussed in Issue Area A of this section (i.e., stagnant revenue caused by decreasing resident license sales). However, increasing costs from BOH, caused by inflationary pressure on items needed to sustain hatchery operations, contribute to this condition.

We discussed these growing costs with PFBC staff, who noted that the increasing cost of fuel, fish food, and liquid oxygen has directly affected the cost of hatchery operations. BOH is not immune to these cost increases. These costs are in addition to BOH's personnel costs, which like other PFBC organizational segments, continue to rise due to escalating retirement and benefit costs.

Hatchery operations are the largest expense to the Fish Fund. Yet, stocked fish are one way that license holders see a return on their "license investment."

Releasing fewer stocked fish could be viewed as an indirect license fee increase.

In addition, despite the use of Growing Greener II funds for the upgrading and renovation of state fish hatcheries, the continuing maintenance costs of the hatcheries will create challenges for BOH.³² Maintenance and monitoring are key aspects of BOH operations to ensure that each hatchery complies with federal and state environmental permits, as well as ensuring the overall health of the fish propagated. For example, hatchery staff reported to us that they have no more than 30 minutes to respond to power outages at hatcheries before fish mortality begins. Obviously, these are critical elements of BOH's operations that cannot be ignored and must be factored in strategic policy discussions.

Arguably—as a way of reducing costs—a point could be made that fewer fish should be produced/stocked. Supporting this argument is the fact that resident license sales have declined; therefore, because there are fewer anglers, by extension, fewer fish should be propagated/stocked.

There are at least two counter arguments to this position. First, as mentioned above, the Commonwealth has already made a long-term strategic decision to improve the quality of the hatcheries by investing Growing Greener II funds into the facilities. This additional investment will lead to multi-year improvements to the hatcheries. We believe this action shows the value of the hatcheries to the Commonwealth. As a result,

³² Act 2005-45, referred to as Growing Greener II, which was a voter-approved initiative, allocates \$625 million for river and watershed cleanup programs, and to protect natural areas. The PFBC received funding for hatchery improvements and to repair aging dams. As we reported in 2016, \$24.5 million of this amount has been dedicated for improving hatchery effluent discharges.

it would seem ill-advised, at least in the short-term, to not use the hatcheries to the full extent of their capacity (within federal and state permits).

Secondly, propagating/stocking fewer fish would be an “indirect” license fee increase, which may further erode license sales faster than a measured license fee increase. Simply stated, producing and stocking fewer fish would mean that anglers would get even fewer potential products (i.e., stocked fish) from their current license/permit purchase. This situation is similar to manufacturers who reduce the package size of a product, rather than raise the price of the product. In the end, the buyer simply gets less product for the same dollar. If this action were to happen with the PFBC, many residents, who are already struggling with finding sufficient time for their interest, may say “why bother” and not purchase a license. This outcome could have distressing results to resident license sales, and worse, may have a ripple effect which negatively impacts supporting businesses.

Ultimately, the number and type of fish propagated and stocked by the PFBC lies with the authority granted to it by the Fish and Boat Code. From our perspective, we believe those decisions should be made with consideration of the above factors.

Cooperative Nursey Program

BOH’s Cooperative Nursery Unit (CNU) manages the Cooperative Nursery Program (CNP). The CNP is comprised of groups of volunteer organizations called “sponsors” that develop rearing facilities (nurseries) to raise fish, which are then stocked into Pennsylvania waterways. The purpose of this program is to provide increased fishing opportunities for public angling, provide groups with an educational opportunity in culturing fish, promote public involvement in PFBC programs, increase PFBC involvement in local fishing interest, and support local groups’ initiatives to provide fish for special events.³³

Dating back nearly 90 years, the CNP has a lengthy history with the agency. Key events include the following:³⁴

- 1932: CNP began under the U.S. Bureau of Fisheries (USBF) — the agency supplied fingerling trout to local sportsman groups to raise and stock in local waters.
- 1962: USBF became the United States Fish and Wildlife Service (USFWS) and thereafter relinquished CNP leadership to the

The Cooperative Nursery Program is one of the PFBC’s oldest outreach programs. It dates back to 1932.

³³ Pennsylvania Fish and Boat Commission, Statement of Policy, Cooperative Nurseries, January 9, 2017.

³⁴ *Pennsylvania Angler & Boater*, May/June 2014.

Pennsylvania Board of Fish Commissioners—later to name the Pennsylvania Fish Commission, and today the PFBC.

- 1965: PFBC created a Cooperative Nursery Unit (CNU) Coordinator position—to organize program functions between the PFBC and its sponsor organizations.
- 2018: CNU manages 158 nurseries and 144 sponsor organizations to those nurseries. Sponsors are primarily sportsman’s groups, but also include schools, Boy Scout groups, state parks, a youth forestry camp, and one federal prison.

A cooperative nursery is different from a state hatchery because a nursery does not grow fish from egg to adult. The state fish hatcheries will provide fingerlings to the nurseries to develop until adulthood. When the fish reach adulthood, they are then released into Commonwealth waterways that are not already stocked by the PFBC.

CNUs receive fingerlings around June and will raise them until March or April of the next year. The nurseries are responsible to raise and then stock the fish into waters accessible to the public. The financial burden falls on the cooperative nurseries to feed their fish, and pay for their own electricity. A minimal amount of grant funding is available from the PFBC to aid cooperative nursery sponsors.

PFBC Oversight and Sponsor Requirements. The CNU performs a minimum of two site inspections per year of each cooperative nursery. The inspections include a review of the sponsor’s operations, including: fish health, water quality (e.g., temperature, pH, and water flow), and pathogens.

In addition, the CNU will respond to emergency onsite inspections for issues such as fish mortality or disease. In these cases, a mobile lab unit is dispatched to the site where such issues may involve assessing the raceways, review of monthly reporting logs, or other tests for disease and mortality. The emergency onsite inspections may result in the sacrifice of six fish for skin scrapes and gill removal to study parasites. A culturist may also take samples from the specimen’s kidney to send to the hatchery lab for analysis. If determined the fish are in need of treatment, all supplies are provided by the BOH, including required medication and other veterinarian-directed treatments.

Annually, cooperative nursery sponsors send in tentative stocking schedules to the CNU by March 5th. Sponsors must also submit a final report outlining the waters stocked, stocking dates, fish species and the number of fish stocked by July 15th. Relevant information is logged into the

CNU's database with other supporting documentation maintained in paper form. In sum, the CNU provides oversight via these onsite inspections, emergency calls, and sponsor annual reporting.

CNU Oversight. We conducted a limited test of the CNU's oversight of the cooperative nurseries. To complete our test, we randomly selected 16 cooperative nurseries from the 158 nurseries that participated in the program during calendar years 2016, 2017, and 2018. The 16 nurseries we selected received more than 155,000 fingerling trout from the PFBC in 2018. The largest nursery received 40,000 fingerlings and the smallest received 550 fingerlings.

We reviewed the PFBC's files for each selected nursery to ensure that there had been sufficient inspections of the facility (at least two annually) and that the required annual reports were complete and submitted on-time (July 15). Our results are presented in Exhibit 17 that follows:

Exhibit 17

Cooperative Nursery Program Oversight - Test Results 16 Nurseries Randomly Selected CY 2016, 2017, 2018

Routine Inspections (Requirement: At least two inspections per year)

- 81 percent (13/16) had all required inspections completed by the CNU.
- Of the three nurseries that did not meet this requirement:
 - 2 had at least 1 inspection during the calendar year.
 - 1 had no inspections during the calendar year.

Annual Reporting (Requirement: Report must be received by July 15th)

- All cooperative nurseries (16/16) submitted the required yearly reports. However:
 - 1 was missing a date of receipt from the CNU.
 - 4 had missing and/or incomplete sponsor forms.
 - 1 had missing and/or incomplete fish stocking forms.
 - 5 were received after the required due date of July 15th.

Source: Developed by LBFC staff from review of PFBC CNU files.

As highlighted above, with an 81 percent compliance rate, the CNU did a good job of ensuring that the nurseries were inspected. Further, of the three that were not inspected twice, two were inspected once; thus, providing some assurance that the nursery's fish were healthy. Only one nursery did not receive any inspections.

According to PFBC staff, missed inspections do happen and may be attributed to issues such as frozen waters, drought conditions, and flooding. Additionally, CNU staff noted that cooperative nurseries are run by volunteers, some who work full-time, are business owners, or are retired. The delay in report submissions, missed reporting, and/or required forms may be the result of a myriad of reasons, such as the following:

- Individual(s) responsible for completing the report may be on vacation, or a new person has been assigned to the position, or the person responsible may have permanently left the club; thus, a replacement for the position is pending.
- Reports being sent to the wrong PFBC office and/or email address.
- Confusion with Pre-/In season reporting dates, and required submissions.
- Fish stocked very late in the season; thus, some cooperative nurseries will send in the annual reports afterwards.

In conclusion, based on our limited review, we found the cooperative nursery program to be a beneficial PFBC program, as it furthers interest in angling opportunities, while offering opportunities for public participation in propagating fish that will ultimately be released into Pennsylvania waterways. Further, we found that the CNU provided adequate oversight of the cooperative nursery program and its participants, while keeping fish health a priority. Nevertheless, we do recommend that the BOH improve its record keeping procedures to ensure that all nurseries/sponsors submit required documentation on time. To that goal, CNU staff did supply us with a new spreadsheet-based inspection form. This form should improve record keeping procedures; therefore, we encourage CNU staff to standardize and use this form for the upcoming season's inspections.

Recommendations

We recommend the following:

4. To the extent that revenues will support BOH operations, and operating within applicable federal and state permits, the PFBC should maximize the propagation and stocking of fish species for Pennsylvania's angling opportunities.
5. The PFBC should standardize the cooperative nursery inspection process by using an electronic-based form for capturing inspection data.
6. The PFBC should ensure that a minimum of two inspections are completed at each cooperative nursery.

7. The PFBC should ensure that all required cooperative nursery sponsor reports are complete and filed with the CNU on-time.

C. Bureau of Law Enforcement: Complement Capacity

The PFBC's Bureau of Law Enforcement (BLE) is authorized to enforce the PA Fish and Boat Code and PFBC regulations with an emphasis on the preservation of water quality, protecting resources, and ensuring safe boating in Pennsylvania. BLE completes these tasks through its corps of Waterways Conservation Officers (WCO) and volunteer Deputy Waterways Conservation Officers (DWCO).

Although WCOs complete Act 120 municipal police training, their duties transcend traditional law enforcement roles. WCOs conduct pollution investigations, aid in the issuance of specialty permits, coordinate with landowners and other groups for fish stocking, conduct special investigations, and assist in swift water and helicopter rescues. WCOs also assist other state and federal agencies, including the PA Game Commission, PA State Police, Department of Environmental Protection, US Army Corps of Engineers, and the US Fish and Wildlife Service, to name a few. Finally, WCOs are perhaps the most visible aspect of the agency, as they also provide an important public relations role by providing outreach and aquatic education to schools, sportsmen's groups, and others about Pennsylvania's waterways and its resources.

Waterways Conservation Officers (WCOs) are a visible and necessary function of the PFBC.

WCOs complete Act 120 law enforcement training and have broad duties involving resource protection and public safety.

WCO Staffing

We reviewed WCO staffing from June 2008 through June 2018 (see Exhibit 18). We found that while the total WCO compliment has stayed relatively consistent at 98 positions, there have been large fluctuations between filled and vacant positions.³⁵ For example, in June 2016, there were 26 vacant positions. These positions were later offset by a new WCO cadet class of 16 WCOs, which then joined the WCO ranks in 2017.

³⁵ It should be noted that the Bureau of Law Enforcement also employs non-law enforcement personnel; however, the focus of our review is on the WCO complement.

Exhibit 18

PFBC WCO Complement

Complement as of:	Total Positions	Filled	Vacant
6/27/2008	97	92	5
6/26/2009	97	88	9
6/25/2010*	98	86	12
6/24/2011*	98	88	10
6/29/2012	98	91	7
6/28/2013	98	86	12
6/27/2014	98	83	15
6/26/2015	98	77	21
6/24/2016*	98	72	26
6/30/2017	98	85	13
6/25/2018	98	82	16

Note:

*/indicates years when cadet training classes were held.

Source: Developed by LBFC staff from review of PFBC complement data.

The 16 vacancies as of June 25, 2018, has worsened. As of March 2019, there are 20 WCO vacancies with an additional seven that may retire, bringing the total to 27 vacancies. Worse still, PFBC staff project over the course of the next three years, as many as 40 WCOs could retire. Absent new cadet training, these ongoing vacancies will inhibit BLE's operational capacity and its ability to meet existing service expectations.

WCO Cadet Training

In January 2019, the PFBC received approval for, and began accepting applications for a new class of WCOs. The PFBC plans to hire 20 WCOs to fill the aforementioned vacancies. PFBC staff believe the addition of these officers—once fully trained—will strengthen the operational capacity of the Bureau thereby improving levels of customer service, resource protection, and most importantly, public safety.

While approval to hire the cadets is an important first step, it is important to highlight that the selection and training process to become a WCO is actually quite lengthy, which impacts the operational readiness of the new class.³⁶ The process begins with the State Civil Commission, which qualifies, tests, and scores eligible applicants. Eligible applicants must be

³⁶ The actual job classification for a cadet is Waterways Conservation Officer Trainee.

at least 21 years of age, possess a PA driver's license, and must have a minimum of high school education or equivalent certification.

Applicants who score highest on the written exam are then invited to participate in a physical screening process to determine if they meet the minimum physical standards for entrance into the Act 120 Municipal Police Officers' Training program.³⁷ Those individuals who meet the minimum physical requirements are then interviewed by the PFBC. The results of the structured interview will be used in combination with the candidates' rank on the Civil Service Eligibility List to determine who will be offered an opportunity for employment. If selected, applicants must also pass a background check, drug screening, credit history, as well as required medical and psychological screenings.

In total, it takes more than a year to recruit, test, interview, and train a cadet (trainee) to become a WCO. As such, expected vacancies—and the speed at which the agency can fill those vacancies—are an issue for the agency.

Approximately 20 weeks of training is spent completing municipal police officer training (Act 120).

Offers for employment; however, do not guarantee the cadet a position as a WCO. Next, cadets must successfully complete the Act 120 municipal police officer training, which is an approximately 20-week long residency program covering law enforcement topics. After successfully completing Act 120 training, cadets then are sent to the PFBC's H.R. Stackhouse School of Fisheries and Conservation for approximately 32 weeks of additional classroom training covering fish and boat regulations, watercraft safety, fisheries biology and conservation, and public relations. Following successful graduation from the Stackhouse School, cadets receive additional on-the-job field training. Following field training cadets are then promoted to the WCO classification, and are assigned to a vacant WCO district. WCOs must establish residency in their districts and establish an office within their residency. In total, it takes about a year to train a cadet.

Training Cost. Obviously, with a one-year training period, starting a WCO class is an expensive proposition. PFBC staff estimated that for the upcoming class of 20 cadets, it will cost the PFBC approximately \$30,000 per cadet, which does not include the cadet's salary and benefits.³⁸ When including instructor salaries, and other miscellaneous expenses, the PFBC estimates it will cost nearly \$630,000 to train the cadets. PFBC staff noted that this estimate is actually lower than initially projected because the PA State Police has agreed to cover the training cost for Act 120 training.³⁹

Because Act 120 training is a substantial element of WCO training, we inquired further about this requirement. PFBC staff noted to us that they prefer candidates to not already have Act 120 training completed when

³⁷ Act 120 training is a statutorily-required training for all municipal police officers. The training is administered by the PA State Police's Municipal Police Officers Education and Training Commission.

³⁸ Cadets receive a minimum salary of \$31,345, plus benefits.

³⁹ Act 120 training costs can vary by provider, which are typically schools associated with community colleges or other institutions of higher learning. In our review, we found Act 120 training tuition runs between \$5,000-\$6,000 depending on location and other fees.

they apply, because staff believe it is better to have the cadets complete all their training together. However, staff also noted that given the cost and the necessity to quickly train WCOs for the expected vacancies, they would not be opposed to hiring cadets who have already completed Act 120 training on their own. These cadets could then complete their WCO training at the H.R. Stackhouse school and be assigned to vacant districts more quickly.

Given the added additional cost for Act 120 training—and the need to quickly restore BLE’s complement capacity in light of future retirements—we believe the PFBC should pursue the option of hiring cadets who have already completed Act 120 training. Staff noted that the Civil Service Commission would need to change the job specifications and requirements for the cadet position, which we agree would be a sensible first approach. Obviously, the PFBC wants to hire only the most qualified candidates for its WCO corps; therefore, we also encourage PFBC staff to continue with the physical and background checks of all their potential candidates regardless of whether Act 120 training has been completed.

Recommendations

We recommend the following:

8. PFBC staff should work with the State Civil Service Commission to revise the job requirements for the Waterways Conservation Trainee (Cadet) position to include individuals who have already completed Act 120 training.
9. If accepting WCO cadets with prior Act 120 training, the PFBC should continue to conduct thorough background and physical examinations of all hires.

D. Status of Prior Recommendations

Our prior audit report, released June 2016, contained four recommendations. We reviewed the PFBC’s implementation of those recommendations. Our results are presented in Exhibit 19 that follows:

Exhibit 19

**Status of Prior Recommendations
LBFC's Performance Audit of the PFBC
Released June 2016**

Recommendation #1

The PFBC should consider offering a retention reward to encourage multiyear license holders to purchase a new multi-year license when their current license expires.

PFBC Comment:

The PFBC has continued to provide the incentives offered from the onset of its sale of multi-year licenses but has not enhanced them due to rewards being reported as a very minor primary reason (1.5% of residents, and 1.9% of non-residents) in a study Southwick Associates did in 2016. PFBC has continued to monitor proposed license fee changes as it has pursued fee increase and the delegation of fee authority in the last two legislative sessions.

Our Response:

We partially agree. As we discussed in Issue Area A of this section, declining resident sales are a significant issue for the PFBC. We believe the PFBC should be as innovative as possible in retaining and growing those sales. Pursuing option #3, would allow the PFBC to explore the impact of these type of incentives and better judge what works and what does not work.

Recommendation #2

The PFBC should evaluate the need to hire a restricted revenue account manager to access funds that are currently available to pursue agency priorities.

PFBC Comment:

The PFBC has decided that it can efficiently and effectively manage the use of its restricted revenue accounts without hiring a restricted revenue account manager. Nearly 100 percent of the restricted revenues must be used in a very limited and/or specific applications. Individual account program managers and fiscal have been assigned the responsibility for tracking, monitoring and maximizing the use of these funds as opportunities develop. The overall use and coordinated expenditures of the PFBC's restricted revenue accounts are conducted through the Deputy Director's Office of Administration consistent with agency initiatives and priorities.

Our Response:

We agree. Further, we applaud the PFBC for realigning duties and responsibilities with existing staff.

Exhibit 19 continued

Recommendation #3

The PFBC should include its advisory bodies more directly in strategic plan goals. This involvement can be informal—without a formal amendment to the plan—for the current plan, but should be a formal part of the next strategic plan.

PFBC Comment:

The PFBC is currently following the strategic plan that was developed and approved by its board of commissioners in July of 2014. The next planning cycle has not yet been fully developed; however, it is anticipated that the process will include the PFBC's advisory bodies as well as all associated and concerned stakeholders.

Our Response:

We partially agree. This recommendation is partially outdated in that the PFBC's previous strategic plan has since expired. The PFBC recently went through a significant leadership transition, with the previous executive director retiring, and a new executive director just taking office. It would have been difficult and unwise to begin a new strategic plan during this transition; however, now that this transition is complete, we remind the PFBC to be sure to include its advisory bodies as it undertakes a new planning cycle.

Recommendation #4

The PFBC should continue with its plan to use the results of the Pennsylvania State University team analysis of its operations to inform its next strategic plan.

PFBC Comment:

The Pennsylvania State University team completed its business analysis in July of 2017. The analysis covers many material aspects of the PFBC "business" and provides key insights and recommendations into proposed/planned improvements. PFBC staff have reviewed the report and have begun to implement recommendations where possible. The Commission's next strategic planning cycle will contain more of the improvements and recommendations, as some need a longer timeframe for implementation and committed resources to be moved forward.

Our Response:

We agree. We reviewed the PSU "business report" and agreed with its recommendations. In particular, the notion of continuing to maintain a healthy reserve fund balance for emergency and other agency needs is a priority for the PFBC. It is the responsibility of the PFBC Commissioners to define exactly what that balance should be and to ensure that the PFBC stays within its operational priorities. The next strategic plan should emphasize these points.

Source: Developed by LBFC staff from information provided by PFBC.

APPENDICES



Appendix A – Current PFBC Fishing License Fees

License Type ^{a/}	Current Annual Fee ^{b/}	3-Year Fee ^{b/, c/}	5-Year Fee ^{b/, c/}	10-Year Fee ^{b/, c/}	Year of Most Recent Change	Prior Annual Fee ^{d/}
Resident Annual Fishing	\$22.90	\$64.90	\$106.90	\$211.90	2005	\$16.25
Senior Resident Annual	11.90	31.90	51.90		2005	3.25
Senior Lifetime Fishing	51.90				2005	15.25
Senior Lifetime Upgrade	11.90				2014	5.00
1-Day Resident	11.90				2005	New
1-Day Labor Day Resident	2.90				2014	New
Non-Resident	52.90	154.90	256.90	511.90	2005	34.25
7-Day Tourist	34.90				2005	29.25
3-Day Tourist	26.90				2005	14.25
1-Day Tourist	26.90				2005	New
1-Day Labor Day Tourist	2.90				2014	New
PA National Guard/Reserve	2.90				2006	New
POW Resident	2.90				2006	New
POW Senior Lifetime	2.90				2006	New
Disabled Veteran	2.90				2014	New
Mentored Youth Permit	0.00				2013	
Voluntary Youth License	2.90				2014	New
Trout/Salmon Permit	9.90	25.90	41.90	81.90	2005	5.00
Senior Lifetime Trout and Salmon Permit	9.90	25.90	41.90	81.90	2013	New
Lake Erie Permit	9.90				2005	New
Comb. Trout-Salmon and Lake Erie Permit	15.90				2005	New
License Replacement	6.90				2008	4.25

Notes:

a/ Fishing licenses and related permits are valid for the year printed on the license certificate or permit, and the month of December of the preceding year, except 1-day and tourist licenses that are valid for the dates specified on the license certificate.

b/ All licenses purchased are assed a \$1.00 "issuing agent fee." There is also a PALS transaction fee, which is to be equal to the actual cost of the service, but not exceed \$1. Currently the PALS fee is \$.90.

c/ Act 2012-66 authorized the PFBC to issue licenses and permits that cover multiple years, provided that the fee for the multi-year license or permit does not exceed the total fees for the applicable individual license or permit years. A multi-year license or permit expires on December 31 of the last year for which it was issued. Act 66 also authorized the PFBC to issue group licenses and permits and offer discounts on fees for marketing and promotional purposes.

d/ The Fish and Boat Code is Act 1980-175, as amended. Prior fees noted do not date before Act 175.

Source: Developed by LBFC staff from information obtained from the PFBC.

Appendix B – Current PFBC Boat Registration Fees

License Type	Current Annual Fee a/	Year of Most Recent Change b/	Prior Fee
Owner Registration (Motorboats Less than 16')	\$13.00	2005	\$10.00/yr.
Owner Registration (Motorboats 16' to 20')	19.50	2005	15.00/yr.
Owner Registration (Motorboats 20' +)	26.00	2005	20.00/yr.
Owner Registration (Unpowered boats)	9.00 ^{c/}	2005	5.00/yr.
Duplicate Owner Registration	3.00/ea.	1991	1.00
Dealer Registration	15.00	1980	NC ^{d/}
Commercial Passenger Boat Registration	25.00	1991	New
Operator License/Passenger Carrying Boat	5.00/ea.	1991	New
Floating Structure/Private Aids to Navigation Certificate of Title	10.00/ea.	1991	New
Certification of Title	15.00/ea.	1996	New
Duplicate Certificate of Title	5.00/ea.	1996	New
Changing Information/Providing Copies of Cert. of Title	5.00/ea.	1996	New
Transfer Multi-year Boat Registration	5.00	1989	New
Non-powered Boat Use Permit (1-year)	10.00 ^{e/}	2005	New
Non-powered Boat Use Permit (2-year)	9.00 ^{e/}	2005	New
Boat and Marine Forfeiture	50.00	2006	New
Boating Safety Education Certification	10.00/ea.	2002	New
Replacement Boating Safety Education Certification	5.00/ea.	2002	New

Notes:

a/ Boat registrations are issued on a biennial basis; if a boat registration is purchased through an issuing agent, the agent may charge a fee not to exceed \$2.

b/ The current Fish and Boat Code is Act 1980-175, as amended. Prior fees noted do not date before Act 1980-175.

c/ The Fish and Boat Code specifies that the fee for owner registration for unpowered boats (canoes, kayaks, rowboats, etc.) is to be adjusted from time to time to remain equal to the fees charged by the Department of Conservation and Natural Resources (DCNR) for boat launch permits for state park lakes.

d/ NC= Fee not changed since the enactment of the current Fish and Boat Code in 1980.

e/ While unpowered boats are exempt from the registration requirements of the Fish and Boat Code, owners of unpowered boats that use Commission property have the option of registering the boat or purchasing a launch permit. The cost of this launch permit is \$10 for one year and \$18 for two years.

Source: Developed by LBFC staff from information obtained from PFBC, the Fish and Boat Code, and DCNR.

Appendix C – PFBC Response



Pennsylvania Fish & Boat Commission

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March 6, 2019

Patricia A. Berger, Executive Director
PA Legislative Budget and Finance Committee
400 Finance Building
613 North Street
Harrisburg, PA 17105-8737

Dear Ms. Berger:

Thank you for the opportunity to review the Legislative Budget and Finance Committee's (LBFC) latest triennial audit of the Pennsylvania Fish and Boat Commission (PFBC). Please also accept our compliments of you and your entire team on the quality and professionalism of their work and interactions with PFBC staff. Every audit performed by the LBFC has been a meaningful and useful exercise for us, and this time was no exception.

In advance of the formal release of the performance audit, please note two areas of progress that relate directly to the recommendations laid out within it.

First, we appreciate the acknowledgement of the benefits associated with more gradual fee adjustments and your corresponding recommendation to the General Assembly in support of granting the PFBC the authority to establish its fees. Representative Tom Mehaffie is currently circulating a co-sponsorship memo for legislation that would allow the Commission, with legislative oversight and a sunset provision, to establish license, registration, and permitting fees. If granted this authority, we agree that the next LBFC performance audit would be a good time to evaluate its implementation.

Second, working collaboratively with our Board of Commissioners, we have commenced a year-long process to prepare a new strategic plan that will be transparent, measurable, and realistic. Our plan will consider the recommendations of this performance audit and past LBFC audit findings related to strategic planning, such as incorporating the agency's advisory bodies into the planning process. The plan will also inform strategic capital and operational investments while maintaining the necessary reserve balances to address cashflow needs, guard against the potential loss of major revenue categories, and deal with unforeseen emergencies.

We look forward to joining you and the LBFC legislators for the formal release of the report and will be ready to answer any questions and discuss the findings and recommendations.

Sincerely,

Timothy D. Schaeffer
Executive Director

Our Mission:

www.fishandboat.com

To protect, conserve and enhance the Commonwealth's aquatic resources and provide fishing and boating opportunities.

