

House Policy Committee
Informational Meeting – License Increase
May 18, 2016

Pennsylvania Game Commission
R. Matthew Hough, Executive Director

Thank you Chairman Benninghoff and House members for the opportunity to come before you today concerning a very much needed license increase, and in particular, Senate Bill 1166 sponsored by Senator Stefano. I am Matt Hough, Executive Director for the Pennsylvania Game Commission.

For the past 120 years, the Game Commission, in accordance with our legislatively mandated mission, has managed the Commonwealth's wildlife resources for all current and future generations of Pennsylvanians – not only the 67 game species that are hunted or trapped, but all 480 species of Pennsylvania's wild birds and wild mammals. Wildlife has always been an important part of Pennsylvania's cultural heritage. Every day, it touches the lives of countless Pennsylvanians, hunters and nonhunters alike, and many of us consider wildlife to be a one of the most precious resources this state has to offer.

Although we are a state agency, we do not receive any general fund revenue. Our main funding streams come from a number of sources including Pittman-Robertson Funding; the sale of oil, gas, and minerals (OGM) on state game lands; and of course, hunting and furtaking license sales. These revenue streams are not stable and fluctuate from year to year.

Our license sales are as close to stable funding source as we can get. We can estimate what our P-R Funding will be one year in advance, and to an extent, we can also predict what our OGM revenue will be from year to year. But as we have seen it is volatile market, as evidenced by the recent drop-off in Marcellus Shale activity and the price of natural gas.

Historically, license sale revenue has been the number one source of funding for the Game Commission. At the time of the last license increase, license sales

accounted for 54% of the PGC funding. Last year, revenue from all license sales was down to 35%.

The last license increase for the PGC was in 1999. That span of 17 years without an increase represents the second longest period of time in the history of the Commission. The only time that we went longer without an increase was the period during the Great Depression and World War II. Historically, license increases were approved every ten years or so – sometimes even less, but rarely was it longer than ten years.

When we received our last increase in 1999, we estimated that the additional license revenue would give us five years before we would need another increase. We were very close with our predictions and about the time that the Fish & Boat Commission received their last license increase in 2006, we were again financially up against a wall. Fortunately for us, and especially for the sportsmen and women of Pennsylvania, about the time that we were in dire need of another license increase, we came into extremely good times for timber sales. Those high timber markets only lasted for a couple of years.

Around the time the timber markets were declining the Marcellus Shale came into play. This bump in gas revenue has provided us with the necessary funding to continue operating at the level that the citizens of the Commonwealth have come to expect.

The fact of the matter is that despite those outlying increases in revenue, our costs have continued to skyrocket for a number of reasons: general inflation, overall increase in healthcare benefits, and retirement contributions, just to name a few. Keep in mind that despite not receiving any general fund revenues, we are subject to the same Commonwealth negotiated personnel expenses as all other state agencies.

For example, in fiscal year 1997-98, the year prior to our last license increase, our complement was 731 employees and our personnel expenses were \$40.4 million. In fiscal year 2014-15, our complement had been reduced to 714 employees, and yet our personnel expenses had more than doubled to \$82.1 million. The only way for us to control personnel costs is to eliminate positions. We have been forced to further reduce our complement and currently we are down to 686 employees.

These cuts have come mainly by not backfilling positions when employees leave through attrition. But now we are at the point where we have not been renewing contracts and unfortunately have begun to furlough employees.

The impact of these rising personnel costs are most impacting the hunters of Pennsylvania. The more we have to contribute and pay for personnel, the less money we have available for operating expenditures. Expenditures for operational items such as prescribed fire, warm season grass plantings, creation of herbaceous openings, improved public access to State Game Lands, wildlife disease research, wildlife protection, and youth conservation education.

We have been able to make significant cost reductions in the past two years and there are far more to come next year. To date by design, we have attempted to do so without greatly impacting the services we provide to the public or allowing the effects to be visible outside of the agency. Unfortunately, we will not be able to continue that. If we are not able to obtain a license fee increase in the very near future, the impacts will be significant and far-reaching.

This is simply the financial reality that we are facing. We have already indefinitely suspended the next class of Wildlife Conservation Officers which was set to begin in the spring of 2017. We also suspended the Pymatuning Visitors Center project, and have taken a serious look at potential cutbacks at the Middle Creek Wildlife Management Area. We are looking at curtailing production of our pheasant program, along with numerous other project and program cuts.

We are not gambling. There are no bluffs. This is our reality.

But enough of the bad. How about some of the good things that are going on with Pennsylvania's wildlife.

There is lot of misinformation being spread around about the Game Commission and hunting in Pennsylvania, and I think it is time to set the record straight.

Make no mistake about it, as a whole, hunting in Pennsylvania is second to none. Let's just talk about big game hunting for a minute – the Big 4 that include deer, bear, turkey, and elk. I'd like to list for you a number of categories where Pennsylvania is ranked in the top five nationally: number of deer hunters, buck

harvests, doe harvests, buck harvests per square mile, doe harvests per square mile, number of bear hunters, bear population, bear harvests, number of turkey hunters, turkey population, and turkey harvests. In every single one of those categories...Pennsylvania is in the top five in the country year after year.

Quite often you hear how the PGC has lost hundreds of thousands of hunters over the past decade because of our mismanagement of the deer herd. Certainly, there is no question about it, the deer population in Pennsylvania has been reduced to balance the population with the current available habitat. Deer are healthier, our forests are providing better habitat for deer and other species of wildlife, and the number of conflicts with private landowners has been reduced. I guess I'm just not sure how being ranked in the top five nationally in deer harvests can be such a bad thing.

The reintroduction of elk in northcentral Pennsylvania has been hugely successful. Not only are we able to now hunt a sustainable population of elk, but the economic impact that the elk have had in Elk Country is inconceivable. The elk population has grown steadily, and now Pennsylvania is has become a destination for elk hunting. This spring, the state's Special Elk Conservation Tag – a license created by the Pennsylvania General Assembly and auctioned off by the Rocky Mountain Elk Foundation to benefit wildlife – commanded a stunning \$85,000 at auction.

Pennsylvania hunting license sales have declined, but they haven't declined to the extent that some would lead you to believe, and despite what is said, this is not in any way unique to Pennsylvania.

I'd like to take a minute to give you the real numbers for license sales. I have heard some talk about the decade from 2004-2014, so I will focus on that. In 2004, PGC license sales were at 1,037,960. In 2014, sales were at 988,905. This represents a decrease of 4.7% over 10 year period. To compare, during that same time period, the Fish & Boat Commission license sales dropped from 909,140 to 841,420 – or a decrease of 7.5%. This is not a deer management problem.

The truth of the matter is that hunting and fishing license sales are declining nationally. Fortunately, we are declining at a slower rate than the majority of other states. I think you can attribute that to the high quality of hunting you can find in Pennsylvania and the amount of opportunity you have to hunt.

According to the U.S. Fish & Wildlife Service, in 1975 there were approximately 19.1 million hunters nationwide. In 2006, that number had dropped to 12.5 million, and the projection for 2025 is approximately 9.1 million. The bottom line is that nationally, hunting license sales are trending down and the number one reason given is the lack of time.

Another topic of discussion revolves around what are known as escrow accounts and the \$400 maximum amount payable out of the Game Fund to purchase land. Some of the escrow accounts associated with the PGC have been around for many years. The Penn State account and the Indiana Bat account – are two of those. These escrows were set up by the U.S Fish and Wildlife Service for a specific purpose and are very restrictive.

The accounts that are often the topic of discussion are those dealing with oil, gas, and mineral extraction on state game lands. Years ago, the PGC made a policy decision that would essentially ensure no-net-loss of state game lands for sportsmen's use. In order to achieve this, we would accept a land exchange or an agreement to purchase land in the future that would then be given to the Commonwealth. This return was at minimum a 1 to 1, and in most cases it was a 2 to 1 or even a 3 to 1 return. Meaning that if 500 acres of State Game Lands were going to be taken away from sportsmen due to drilling activities, the leasing company was responsible for finding at minimum 500 acres of land to be given to the PGC to replace that, and it had to be approved by the PGC. In most cases, equitable land wasn't immediately available so the company would place funds into an escrow account for use against future land purchases.

These escrow accounts were set up and maintained by a third party. These accounts were set-up between the third party and the drilling or leasing company. The company deposited the money into the account, and when land was identified for purchase, the third party made the payment for the land. The company deposited the money into the account, and when the time came for equitable land to be purchased, the third party made the payment for the land.

The money never came to the PGC – if it did, it would have to be deposited directly into the Game Fund and would then been subject to the \$400 per acre. With the exception of indentures and inholdings, we have not paid more than

\$400 per acre from the Game Fund. It is important to note that all contracts we sign for these land deals must be approved by the PA Attorney General for content, form, and legality.

Hunting and trapping in Pennsylvania come at a very low cost for an exceptionally high value. When compared to the other states for a resident hunter to hunt antlered deer, spring and fall turkeys, pheasants and small game, and migratory birds, Pennsylvania has the second lowest license fees in the nation. Even a modest increase in license fees would still keep Pennsylvania in the 10 lowest in the country.

We have the support for a license increase from a wide variety of statewide sportsmen organizations and other groups including the PA Federation of Sportsmen Clubs, United Bowhunters of PA, Quality Deer Management Association, National Wild Turkey Federation, Keystone Elk Country Alliance, PA Beagle Gun Dog Association, PA Sporting Dog Association, PA Trappers Association, Pheasants Forever, Congressional Sportsmen's Foundation, PA State Fox & Coyote Hunters, Western PA Conservancy, Woodcock Limited, and the PA Environmental Council.

Very simply, SB 1166 would give us the authority to set our own license prices as needed. Much like the Turnpike Commission has the ability to raise their rates to meet their expenditures, we are asking for the ability to do the same.

By granting the authority to make those changes, we would have the option to make smaller incremental increases every so often as compared to much larger increase every ten years or more.

While we understand the perceived element of control that the Legislature would be giving up, it is just that, perceived. The reality is that you still have significant oversight and control.

The Legislature still mandates what we are charged with doing through Title 34. Additionally, you passed broader accountability measures during the last session for our Commissioners. Now, every four years, our Commissioners are reviewed for performance and then need to be re-confirmed. By law, we are required to present our annual report to the standing committees each year, and every three

years the Legislative Budget & Finance Committee reviews our performance in keeping with our strategic plan.

I can assure you that we do not have any interest in pricing ourselves out of the market. It doesn't help us to make the license price so high that we lose license buyers. Not only would that impact license sales revenue, but it also reduces the amount of revenue received through Pittman-Robertson Funding.

SB 1166 also has built-in safe guards. There is a three year sunset provision and any proposed changes would be subject to the Commission's regulatory rule making process, which includes a public comment period. It is also our intention to hold at least one public meeting so that we can get additional input from our constituents. Quite frankly, SB 1166 is simply the ability to raise revenue to meet the statutory requirements that you have given us.

Again, thank you for your time and consideration and I will be happy to answer any questions that you may have.

