

Straight TALK

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Our Fiscal Slope

By now, we have all heard about the federal fiscal cliff that Congress and the federal government have created because of overspending and their collective inability to work together to balance the budget and live within our country's means. It is unfortunate, to say it kindly, that our elected officials can't be fiscally responsible with our money and make sound decisions about how it is spent. Those of us who spend time outdoors and have been confronted with the decision about going over or around a cliff understand that we can't get any closer to the edge of the cliff to get a better look at what lies below. But, this is exactly what Congress continues to do and keeps kicking that proverbial can further down the road because of their inability to make difficult decisions.

We have a somewhat different story here at home in our Commonwealth, but the reality is that our Governor has to balance a budget faced with huge economic challenges created by decisions made by others when we were in better financial times. Although, the Pennsylvania Fish & Boat Commission (PFBC) is an independent, administrative agency of state government, and we often say that we use the user pay/user benefit model, we are not immune from the debt challenges that lie ahead of us. All state agencies have been told that we should prepare to absorb increases in employee pension and medical costs in the near future. Combine these costs with increases in employee wages and salaries, which must be absorbed due to "level funding," rising operating costs (Figure 1) and a flat or

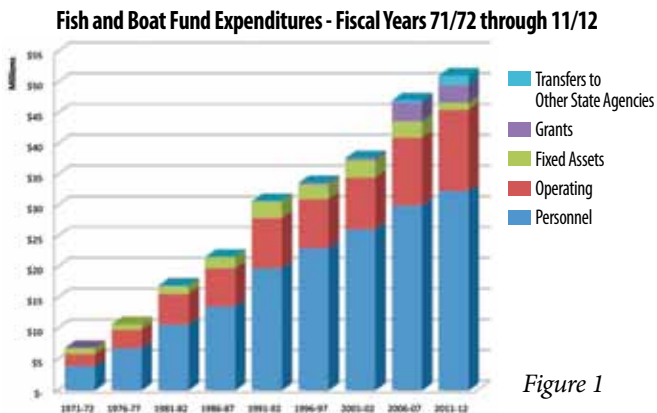


Figure 1



Photo: Spring Ceatheart

declining customer base (Figure 2), we could have our own fiscal cliff to contend with if we don't immediately live up to our fiduciary responsibilities.

When I became your Director three years ago, I told our senior staff about several of my basic principles:

- 1.) We will not spend more than we earn, 2.) We will keep one year's

budget in our reserve fund. This is necessary to take care of crises, deal with cash flow issues (because we peak in license sales revenue ¾ of the way into our fiscal year) and have

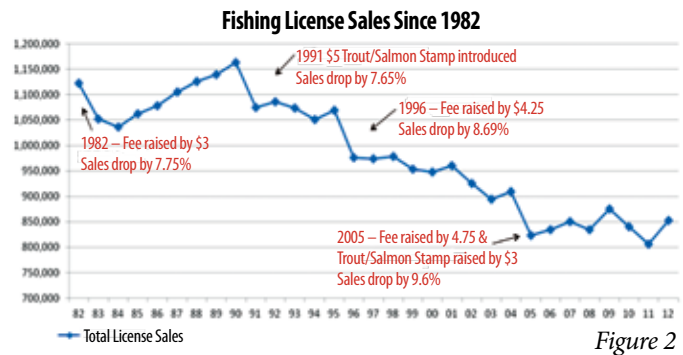


Figure 2

sufficient funds to borrow against to capture other funding as it becomes available and 3.) Our top priority will be to find alternative revenues to keep up with inflation (Figure 3) and other future costs. Over the past three years, we have not spent more than we earned (Figure 4), and we have saved sufficiently to now cap our reserve fund for future protection. We have worked with the legislature and the administration and were

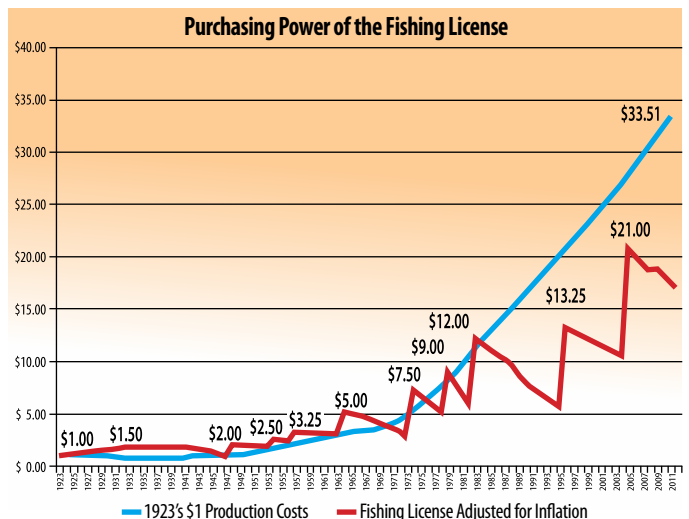


Figure 3

Fish and Boat Fund Revenues and Expenditures

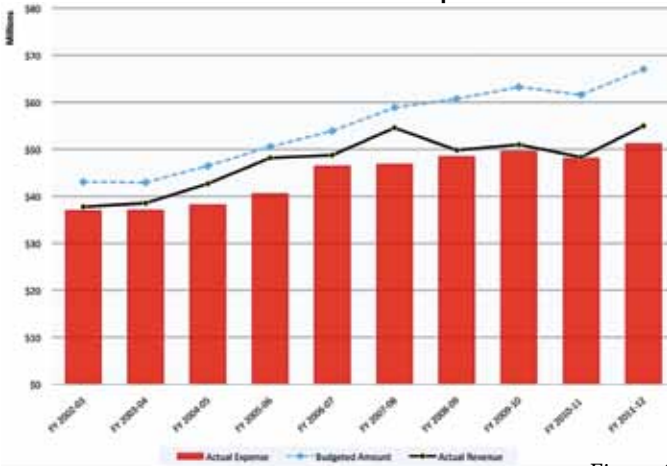


Figure 4

included in the Marcellus shale impact fee legislation where we receive \$1 million per year of alternative funding for the permit review services that we provide.

Based upon our forecasting of costs and revenues, we now know that we need to reallocate over \$9 million of our revenue over the next four years and every year thereafter to meet \$6.7 million in health care and retirement obligations for our employees and to fund \$2.3 million in infrastructure needs.

I could have decided, much like the federal government did, to kick that same can down the road, spend down our reserve fund and delay this decision for others to make sometime after I retire to the back pages of this magazine. I cannot knowingly do that given my concern about the long-term future of our agency. Therefore, staff and I worked on a spending reallocation plan to determine what programs needed to be cut to make up the \$9 million we need to honor our obligations and to pay new bills that will come due in 2016.

The program cuts were explained to our Board of Commissioners at our January Commission meeting and included the closure of two of our trout hatcheries (Bellefonte State Fish Hatchery in Centre County and Oswayo State Fish Hatchery in Potter County), which involves jobs for 18 employees and a loss of 750,000 catchable trout. Additionally, we made the decision not to run a new Waterways Conservation Officer (WCO) class, since we can't afford to fill vacant WCO positions. These cuts amount to about \$3 million of the \$9 million total that we need to find. Figure 5 presents an overview of the total impact that these cuts will have to all program operations.

We needed to act now to begin the transition of closure for the hatchery facilities by the end of 2014. All other program cuts will need to be made before July of 2016. The goal is to make these changes without furloughing any employees since

Combined Funds

	FY 2012-13	FY 2016-17
Salary	\$19,262,923.77	\$21,055,980.64
Wage	\$1,929,359.24	\$2,108,950.40
Overtime	\$744,811.00	\$814,140.48
Benefits Other	\$5,343,597.80	\$5,840,997.61
Health Benefits	\$4,514,400.51	\$4,934,615.90
Retirement	\$1,689,598.94	\$7,238,799.64

Total Personnel \$33,484,691.26 \$41,993,484.67

Year-over-Period Change 25.41% \$8,508,793.42

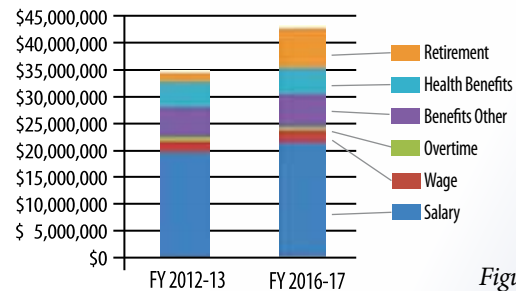
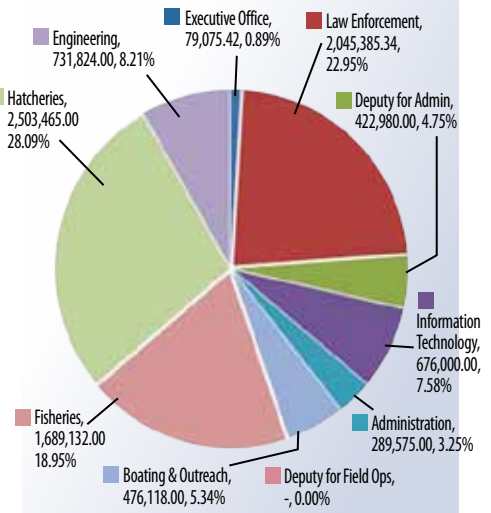


Figure 5

we will attempt to absorb these cuts through attrition and place affected employees in other positions. I know that those of you reading this article are strong supporters of the PFBC's mission, our staff and programs. If you are concerned about these program cuts, you need to speak out to our



state legislators and anyone else who will listen. We did not have input into the decisions that caused these fiscal problems, but we still have a chance to influence how future decisions are made. There are only two ways to address this fiscal slope—one is to cut spending and the other is to raise revenue. I will address the latter in my next "Straight Talk" article in a couple of months.

See you on the water.

Your Director,

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The mission of the Pennsylvania Fish & Boat Commission is to protect, conserve and enhance the Commonwealth's aquatic resources and provide fishing and boating opportunities.