Viability of Creating a Fish Hatchery Stamp

Report to the Wisconsin Legislature required by 2013 Wisconsin Act 20

November 15, 2013

Respectfully submitted,

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11/13/13
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Introduction

Nonstatutory provisions of 2013 Wisconsin Act 20, the biennial state budget, requires that the Department of Natural Resources and the Department of Agriculture, Trade and Consumer Protection conduct a study of the viability of creating a fish hatchery stamp that could be issued to holders of licenses under chapter 29 of the statutes that authorize fishing for sport.

This study presumes that the intent of a fish hatchery stamp would be to generate revenues to increase stocking of waters of the state of Wisconsin under authority granted to the DNR under ss. chapter 29 subchapter X Fish and Game Propagation and Stocking. Since DNR is responsible for administration of chapter 29, they are the primary authors of this report.

Why do we need to do something?

Fishing means jobs for Wisconsin
Based on a USFWS 2006 survey of recreational angling in Wisconsin fishing is important culturally and economically:

* 1.4 million anglers fish 22 million days in Wisconsin each year – 48% of WI adults say they fish.

* Fishing generates $2.75 billion in economic activity each year supporting 30,000 jobs and contributing $196 million in state and local taxes.

* WI is 2nd in the nation in number of nonresident fishing days and nonresidents are responsible for 34% of the economic activity, jobs and taxes.

Fishing depends on stocking in many Wisconsin waters
Although not all waters are stocked, many regionally and locally important fisheries depend on annual stocking. The Wisconsin State Fish Hatchery system stocks the vast majority of these fish – primarily trout, salmon, walleye, musky, northern pike, largemouth bass and sturgeon. Federal and tribal hatcheries contribute smaller numbers of lake trout, walleye, largemouth bass, sturgeon and brook trout to reservations or outlying waters.

* State, federal, tribal and private hatcheries stock 7.4 million fish in approximately 10% of Wisconsin's waters each year.

* Based on statewide mail surveys done in 2001 and 2006, Wisconsin anglers annually harvest 3.3 million gamefish out of inland waters. 54% of the muskies, 14% of the walleyes, 11% of the inland trout, and 5% of the northern pike were stocked.

* Key fisheries are primarily dependent on stocking. Examples include: Lake Michigan trout and salmon, 6,235 miles of Class 2 and 3 trout streams, 300 Class 2 and 3 musky lakes, and 300 stocked walleye lakes- many in northern Wisconsin's ceded territory.

FY 12 Fish Stocking locations

Wisconsin currently lacks fish propagation capacity to fully meet stocking needs

Studies of the biological carrying capacity and current levels of natural reproduction show that 9.6 million fingerlings and yearlings of various species should be stocked annual in selected Wisconsin waters to maximize fishing opportunities and related economic activity (http://dnr.wi.gov/topic/fishing/documents/publications/StockingstrategyreportSeptember2010.pdf). A 2011 study of fish propagation capacity in the state by HDR Engineering (http://dnr.wi.gov/topic/fishing/documents/hatcheries/Volume1ExecSumm.pdf) shows current hatchery capacity falls short of the identified stocking need by 323,550 pounds of coldwater fish (trout and salmon) and 92,940 pounds of coolwater fish (walleye, muskies, northern pike, sturgeon, bass).

* The Wisconsin State Fish Hatchery System at 2004-08 funding levels produced 412,450 pound of coldwater fish (56% of the need) and 36,060 pounds of coolwater fish (28% of the need). Production in 2012-13 is lower due to budget reductions and water supply and infrastructure problems in some older facilities. Without additional investments, the current stocking shortfalls will progressively get larger as budgets fall further behind production cost increases, and as infrastructure and water supply problems identified in the HDR report continue to deteriorate.

* Federal and tribal hatcheries generally serve only reservation or federal jurisdiction waters but these can affect important state fisheries such as the ceded territory. Six Chippewa bands operate fish propagation facilities and in 2012 stocked 772,000 fingerlings and 27 million fry in ceded territory waters (http://www.glifwc.org/publications/pdf/2012hatchery.pdf). A recent survey of these bands indicated that additional funding investments they would like to expand their walleye production by 486,000 large fingerlings and 500,000 small fingerlings to meet their perceived stocking needs.

* Private fish farms have a significant but less well documented stocking capacity. In, 2012, 446 stocking permits were issued for private stockings of state waters including trout, walleyes, muskies, bass, panfish and minnows. To better understand the role that private fish farms can play, 2013 Wisconsin Act 20 also requires DNR to work with Department of Administration,

DATCP, Wisconsin Economic Development Corporation, Wisconsin Aquaculture Association, and University of Wisconsin Extension to study the capacity of private fish farms for stocking in waters of the state for the purpose of maintaining and improving fish populations. The study will be completed by June 30, 2014.

What needs to be done to insure that Wisconsin's fish stocking needs are met?

Decide which stocking priorities to address

Fully meeting Wisconsin's stocking needs will require a significant investment of resources. Prioritizing the needs will facilitate decisions on what, if any, investments to make. The HDR comprehensive study details the stocking shortfalls by species and size class and gives short term priority recommendations (Table 3J, V2) based on factors such as cost:benefit, and number of users, and legal mandates.

* Stocking shortfalls are 323,550 pounds of coldwater fish (primarily more large fingerling and yearling brown and rainbow trout, and coho salmon) and 92,940 pounds of coolwater fish (primarily larger fingerling walleyes and muskies).

* Highest priority issues are Great Lakes stocking (statutory requirement and economic return), large fingerling walleye (most demand and economic return), and stocking in urban and neighborhood ponds (population size and youth recruitment).

Fishery	Users	Fishing Days	Economic Activity
Great Lakes	150,000	3.7 million	$419,000,000
Walleye	494,000	6.1 million	$679,405,000
Urban	547,000 (age 16+)	NA	NA

Identify costs of expanding capacity

The HDR comprehensive study provides feasibility and cost estimates for alternatives involving the WI State Fish Hatchery System. The DNR recently surveyed the six Chippewa bands located in Wisconsin to determine their needs for hatchery capacity. A study is currently being conducted on the capacity of private fish farms in Wisconsin and their potential for stocking waters of the state. For each of these producers, available information clearly shows that additional investments in infrastructure improvements and ongoing operating costs will result in significantly more fish and move us closer to the full stocking needs identified by the DNR.

* Cost estimates for high priority improvements in the WI State Fish Hatchery System are given in the HDR Report. The highest priority improvements would cost ~$80 million (including inflationary adjustments) over a ten year period, but would maintain or improve fisheries currently generating $1.1 billion in economic activity in Wisconsin each year (34% new money from non-residents).

* The survey of Chippewa bands indicated that with an additional investment of $3.54 million in infrastructure improvements and $910,000 in annual operating costs, they could expand their walleye production by 486,000 large fingerlings and 500,000 small fingerlings.

* Initial feedback from the industry and the interest in the walleye contracting and grant programs created by Act 20 strongly suggests that additional funding would also result in additional capacity among private fish farms.

Identify funding alternatives

The HDR study also cataloged funding alternatives used by other states to address infrastructure improvements and longer term hatchery operating costs. Their primary recommendation was establish a fish hatchery stamp in which "stamp funds would be ear-marked money that could only be used for fish hatchery/propagation infrastructure construction, improvements and system operation including stocking and all related fish propagation operations." A $5 hatchery stamp program enacted for a 10 year period was used by the Texas Park and Wildlife Department to address many of their pressing hatchery system needs. It proved to be successful and popular enough that the surcharge was made permanent and now provides a core source of stable funding for addressing longer term infrastructure needs.

The HDR study also identified other potential funding alternatives including allocating general purpose revenues, creating a dedicated conservation sales tax fund, seeking grants, donations or land transfer gifts, and general fishing and hunting license fee increases.

Feasibility of a fish hatchery stamp in Wisconsin

Conceptually there are no insurmountable barriers to creating a fish hatchery stamp or other form of fishing license surcharge with a dedicated purpose of funding hatchery improvements and operations to increase the stocking of fish and improve fishing in Wisconsin waters.

*Like other fishing and hunting licenses and stamps, the fish hatchery stamp would have to be created in statute. Currently the Department does not have the authority to do this by administrative rule.

*Wisconsin annually licenses about 1.4 million individuals to fish among its various resident, non-resident, annual and short term licensing options. Assuming that the hatchery stamp would be required for each individual angler and is the same for residents and non-residents as is currently done with other stamps, the following table shows the potential revenue for different stamp purchase amounts:

Stamp Cost	Annual Revenue
$1	$1,400,000
$2	$2,800,000
$5	$7,000,000
$10	$14,000,000

*It is difficult to predict the revenue that would be generated by a "voluntary" hatchery stamp. Experience in Wisconsin and other states suggests participation rate is low when a fee is voluntary. Minnesota, for example, has a voluntary $5 walleye stamp whose proceeds are ear-marked for purchasing walleyes for stocking. In 2010, only 32,000 of 1.13 million individual anglers (2.8%) actually purchased the stamp. Here in Wisconsin, a voluntary contribution (of at least $2) for invasive species lake research is requested of each person purchasing a fishing license or boat registration but has generated an average of only $65,000 each year since 1999. While this level of revenue would provide some additional funding to raise or purchase fish, it would fall far short of being enough to address needed infrastructure maintenance or improvements.

*This review shows that there are a number of viable investment alternatives for any new revenues that would result in increased stocking of Wisconsin waters. DNR, private fish farms and tribal hatcheries all have a long history of completing successful stockings in state waters and, as documented in this study, would be able to expand their production to match increased funding. As recommended in the HDR report, and based on experience to date with the implementation of the Walleye Initiative, a diverse investment of new funding among various fish producers is most likely to optimize the number and quality of fish stocked. The demand for fish far exceeds the capacity of any one class of producer, so the most effective way to meet the full range of stocking needs is to develop and invest in partnerships which build on the strengths and capabilities of individual producers.

*The need for funding ear-marked for hatchery programs should be carefully evaluated against funding needs of other important fish and wildlife programs. The addition of a fishing license stamp or surcharge has the same effect on the overall cost of fishing licenses as a general fee increase, and arguably could reduce public support for general license fee increases when they are necessary to more broadly support Department fish and wildlife programs.

*Any proposed statutory language creating a hatchery stamp should be reviewed by the US Fish and Wildlife Service to make sure it does not create a "diversion" that would jeopardize the Departments overall fish and wildlife federal aid grants. Experience from other states suggests that a statute creating a fish hatchery stamp (or similar fish and wildlife revenue source) should remain fairly general in purpose and delegate more specific implementation decisions to the Department. Ear-marks of GPR or other non-fish and wildlife funding could be complementarily allocated if there are specific needs that are not eligible for fish and wildlife funding.

*There is likely to be significant public support for a fish hatchery stamp. During the summer of 2012, Department staff made presentations to major conservation groups on the findings of

the HDR hatchery infrastructure report. Building upon that report's findings that the DNR hatchery system needed significant investments to maintain and upgrade infrastructure, the public was surveyed about their preference for additional investments if any. Among 283 responses:

*63.6% supported $7 million per year in new funding
*21.2% supported $3.5 million per year in new funding
*only 4.9% supported doing nothing

Of those supporting new funding:

*54.5% supported the idea of a fish hatchery stamp
*32.2% supported using Stewardship bonding
*25.4% supporting using general purpose revenues

Summary

Nonstatutory provisions of 2013 WI Act 20 required DNR and DATCP to "conduct a study of the viability of creating a fish hatchery stamp that could be issued to holders of licenses under chapter 29 of the statutes that authorize fishing for sport" and provide it to the Legislature by November 15. Conceptually there are no insurmountable barriers to creating a fish hatchery stamp or other form of fishing license surcharge with a dedicated purpose of funding hatchery improvements and operations to increase the stocking of fish and improve fishing in Wisconsin waters. Like other fishing and hunting licenses and stamps, the fish hatchery stamp would have to be created in statute.

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