



THE STATE OF ARIZONA  
**GAME AND FISH DEPARTMENT**

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Dear Heritage Fund Stakeholder,

There has been a great deal of discussion surrounding the Arizona's Game and Fish Commission's (Commission) legislative pursuit of Heritage Acquisition Fund flexibility authority to appropriately address the operation and maintenance obligations of Heritage Fund acquired properties. I write this letter to inform you of the Commission's direction and to quell any misleading information that the Commission is proposing to "sweep" up to 50 percent of the funds currently held in the Heritage Fund account.

Arizona voters created the Heritage Fund in 1990, designating up to \$10 million a year from lottery ticket sales for wildlife conservation and protection to be directed to the Arizona Game and Fish Commission Heritage Fund (Fund) to be used for the state's wildlife and natural areas. The Commission spends its Fund dollars to recover threatened and endangered species, to help urban residents appreciate and coexist with wildlife, to educate children about the environment and to create new opportunities for outdoor recreation.

Current law requires the Commission to use 60 percent of the monies received from the Fund for the identification, inventory, acquisition, protection and management of sensitive habitat. At least 40 percent (\$2.4M) of these monies must be spent on the acquisition of sensitive habitat benefiting endangered, threatened and candidate species. A.R.S. § 17-297 specifies that all monies in the Fund can be spent by the Commission only for the purposes and in the percentages set forth in statute. The Commission owns and manages property and water rights in public trust to enhance fish and wildlife species populations and habitats; reduce and/or prevent species listing; conserve connected functional habitats across the landscape and to provide for recreational multi-use opportunities.

Since the passage of the Heritage initiative, the Commission has acquired 16 Heritage properties, which total 14,065 acres that will be managed for Heritage values in perpetuity. The Fund does not currently allow for the use of acquisition monies for operations and maintenance. While the dedicated acquisition fund ensures that the Heritage acquired lands portfolio will grow in perpetuity, the purchasing value of these funds for operation and maintenance (O&M) shrink through inflation creating a growing financial obligation and a compounding structural deficit. This ongoing O&M expenditure obligation increases with each additional property that the Commission acquires.

The current O&M cost for the Heritage properties and their associated infrastructure exceeds \$1 million dollars annually. This expense has largely been absorbed by monies generated from sportsmen dollars and has resulted in these funds not being available for other, important wildlife conservation projects. Operational and Maintenance largely are on-going and unanticipated emergency repairs; corrective actions relating to health and life safety and preservation of assets. These include refurbishing of agricultural wells, septic system replacement, stabilization of wetlands to reduce permeability, construction of flood control levee, and replacement of culverts and removal of exotic vegetation to name a few.

At the March 28, 2014 Commission meeting, a stakeholder resolution workgroup (Workgroup) was convened under the leadership of the Arizona Game and Fish Department, to evaluate and recommend a list of potential solutions to address increased costs and liabilities associated with operating and maintaining current and future Heritage acquired properties as guided by 6 Commission tenets.

Tenets set forth by the Commission:

- Proposals considered must provide adequate protection of current properties
- Future Heritage Fund acquisitions must have O&M built-in
- Avoid further use of Sportsmen's dollars to subsidize O&M
- Will not negatively impact Nongame Endangered Wildlife Program & AGFD science foundation
- Solutions should not rely on federal grants
- Solutions should provide flexibility for current and future Commission actions

Workgroup discussed three options:

- Long Term Funding Generation/Savings solutions
- Short Term Funding Generation/Solutions
- Legislative Changes

At the September 2014 Commission meeting, the Department presented to the Commission five potential solutions recommended by the Workgroup, a 501(c)(3) held endowment; a 'Heritage stamp' or similar licensing mechanism; civic crowd funding; partial disposal of currently owned properties and legislative changes that would allow flexibility to use a portion of the acquisition funds for O&M.

Since September 2014, the Department has been working to evaluate each of the options identified by the Workgroup with the following results:

- The Department has met with an appropriate 501(c)(3) organization, which has agreed to hold the endowment for the purpose of providing O&M costs to the Department. The Department further evaluated the value of an endowment at current market yields and determined that the endowment value needs to be at least \$20M to provide the requisite funds to pay current O&M costs. The Department is currently evaluating methods to generate this level of funding but has not found a suitable fund source.
- The Department has benchmarked with other state wildlife agencies that have programs to promote a Heritage Stamp or similar licensing mechanism as a funding source. Other states that have started such a program have had varying degrees of success. The one key is that no instance could be found where a voluntary stamp has proven successful. The Department has evaluated strategies to incentivize a stamp program without requiring additional purchases by hunters and anglers, and has not found a reasonable approach for annually generating the \$1.0M to cover existing O&M costs, let alone new costs for future properties. One avenue that the Department has pursued in this area is the creation of the I support wildlife program. There also was an evaluation of the potential for crowd source funding to supply the annual obligation of \$1.0 M for O&M. After consulting with professional fund raisers, it was determined that while crowd source funding has potential to raise capital for specific projects with tangible goals, such as property acquisition or purchase of a pump to supply water, there is little potential to source funding for general requests such as ongoing O&M costs.

- In reviewing existing statute during an evaluation of the potential to dispose portions of a property that had been purchased for its Heritage value, determination that the Commission had the lawful authority to sell a portion of a Heritage property to reduce O&M costs is could not be made certain. In seeking guidance on the issue, it was identified that portions of Heritage acquired properties could be sold only if the portion sold no longer met the Heritage purpose for which it was acquired. The Department is evaluating the current properties to determine if there is any portion of a property that meets this condition.

Lacking a clear resolution that would generate an adequate funding source to replace the use of sportsmen dollars currently used for O&M, the Commission, at the September 1, 2016 public meeting held in Springerville, directed that the Department draft legislative language that would provide statutory authority to spend Heritage acquisition monies for operation and maintenance. This would balance the rate of growth of the Heritage acquired land portfolio with the ability of the Department to provide sufficient protection and ensure the Heritage values of these lands for wildlife into the future.

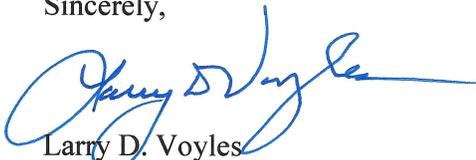
At the subsequent December 4th meeting, the Department presented a legislative proposal that: Would provide the Commission the ability to spend a portion of the Heritage Fund acquisition monies on the Operation and Maintenance of acquired properties with sensitive habitat utilized by endangered, threatened and candidate species.

On January 28th, Senate Bill SB1361: G&F; heritage fund; expenditures was introduced in the Senate and assigned to the Natural Resources and Appropriations Committees.

The language of this bill is permissive, it does not mandate that funds be used solely for operation and maintenance and is drafted in a manner that continues to allow all the monies for property acquisition. In fact, the Commission has directed the Department to evaluate Heritage eligible properties for acquisition and there currently are three eligible properties being evaluated by Department staff. I ask for your support for this legislative effort that will enable the Department and Commission to implement better stewardship management practices while continuing to protect and conserve Arizona's unique and diverse wildlife resources. If you have any questions, please feel free to contact Jim deVos (jdevos@azgfd.gov, 623-236-7300) or Jorge Canaca (jcanaca@azgfd.gov, 623-236-7533).

Thank you for your continued support.

Sincerely,



Larry D. Voyles  
Director