



Pennsylvania Federation of Sportsmen & Conservationists

2426 North Second St. • Harrisburg, PA 17110

Phone: 717-232-3480

info@pfsc.org • www.pfsc.org

On the Front Lines – So You Can Be in the Woods, On the Water or At the Range!

House Game and Fisheries Committee

6/3/24, 10:00 a.m., Room 523, Irvis Office Building

By Maggie Foight, Pennsylvania Legislative Services

The committee held an informational meeting with the Pennsylvania Game Commission (PGC) to discuss the 2019 Performance Audit and subsequent recommendations made by the Pennsylvania Department of Auditor General.

Chairman Anita Kulik (D-Allegheny) outlined the agenda for the meeting.

Steve Smith, executive director, PGC, introduced himself to the committee, as he recently assumed the position. He detailed improvements in the antlerless license sales process. He explained commission responses to the 2019 Auditor General's report, including changes in escrow account practices, revenue collection and accounting procedures for natural gas development leases, as well as an increase in hunting license sales. He accredited the increase in hunting license sales to legislative support for Sunday hunting and efforts to review vehicle issuance policies. Smith committed to addressing audit recommendations and improving commission operations.

Rep. Joe Hohenstein (D-Philadelphia) raised concerns about PGC's internal processes, transparency and the manner of Smith's appointment. He focused on the need for better accounting and oversight of revenue from oil, gas and mineral lease agreements. He asked about internal control systems for monitoring royalty payments. He questioned the processes already in place for ensuring accurate processing of these payments. Smith emphasized the commission's commitment to improving communication and transparency with the legislature. He highlighted the dedication of PGC staff to wildlife conservation.

Dave Gustafson, director, Bureau of Habitat Management, PGC, discussed the challenges and improvements in tracking oil and gas revenues, including the use of a new software, MineralSoft. He considered the commission's engagement with a consulting firm for complex accounting and implementation of geographic information system (GIS) technology to manage royalties from 1,064 wells. He outlined the process of weekly check deposits, monthly check reviews and periodic check audits to ensure accuracy in check payments received.

Rep. Hohenstein commended the summary and inquired about efforts to communicate with the Department of Conservation and Natural Resources (DCNR) on similar issues and efforts. He considered the need to retrospectively track payments, assess interest and penalties for missed payments and ensure accuracy of records from the period following the last audit up to 2017. Gustafson assured the onboarding of an additional staff member soon after the audit report's publication was meant to directly address any "clean-up work" to account for all payments until present.

Rep. Hohenstein asked about the termination of escrow accounts by PGC, including when this practice ended and how funds are now managed and tracked. Smith explained the escrow accounts were discontinued around fiscal year (FY) 2020, with funds now directed to the Game Fund. He offered to provide specific follow-up on tracking.

Rep. Hohenstein hoped the conversation might continue in the form of regular meetings, held either publicly or privately.

Rep. Jim Haddock (D-Luzerne) inquired when PGC started using MineralSoft software, to which Gustafson noted its use began in 2021. He expressed concern over the software still being referred to as “new” and questioned the commission’s familiarity with it. Gustafson acknowledged ongoing learning due to software enhancements and staffing changes within the Bureau of Habitat Management.

Rep. Haddock further questioned PGC’s cross-training practices, given the frequent mention of staff turnover and vacancies. Smith explained turnover does not hinder commission operations or revenue generation. He emphasized efforts to maintain continuity and maximize royalties.

Rep. Haddock sought clarification on whether the figure 1,064 referred to well pads or actual wells. Gustafson confirmed the number refers to actual wells, with 638 of the total referring to unconventional horizontal wells.

Rep. Haddock asked about PGC’s preference for receiving physical checks over direct deposits. Gustafson justified physical checks with the need for detailed audit information on check stubs. Rep. Haddock noted most drillers utilize a system called EnergyLink for online transactions. Gustafson reiterated PGC still receives physical checks. Rep. Haddock criticized the decision for causing delays and the potential for lost checks. Smith preferred paper copies for accounting purposes. Gustafson explained the documentation serves as a “backup” should technology fail. He added physical documentation may be utilized as a reference during monthly reports when auditors may need operator information to contact them.

Rep. Haddock inquired if all escrow accounts related to business dealings with royalties have been closed. Smith confirmed the discontinuation of the practice. Rep. Haddock asked about the projected versus budgeted revenues from gas and oil royalties. Dan Dunlap, director, Bureau of Administrative Services, PGC, said the original estimate stood at about \$130 million, while it is currently adjusted to around \$80 million. Gustafson admitted that as of May 6, the revenue amounts to \$77 million, lower than anticipated due to gas prices. Rep. Haddock sought clarification on the timing of accounting for royalty income. Gustafson confirmed revenue is accounted for upon check receipt and deposit. He admitted there may be a backlog between production and check receipt.

Rep. Haddock asked what the current balance in the Game Fund is. Smith claimed it amounts to \$506,697,000 as of last week.

Rep. David Delloso (D-Delaware) discussed recruitment and retention challenges within PGC, questioning how issues persist despite the Game Fund’s approximately \$500 million balance. Smith explained legal and procedural constraints limit the commission’s ability to adjust compensation for game wardens and other employees. He cited the need to adhere to the commonwealth’s classification and compensation procedures. He expressed a desire for more flexibility to address these challenges and hoped to discuss a legislative fix. Rep. Delloso looked forward to continuing the conversation.

Rep. Joseph Ciresi (D-Montgomery) asked about the frequency, purpose and expenses of committee member travel. He questioned the necessity and costs of providing cars for staff members beyond wardens. Smith acknowledged the need for increased internal controls. He said a review process is currently underway to ensure compliance with commonwealth standards. He could not immediately provide the current number of vehicles assigned by PGC to its staff. He promised to deliver the exact information soon, noting the ongoing review process.

Rep. Paul Friel (D-Chester) requested information on PGC's standard operating procedures (SOP) and policies related to habitat improvement and acquisition. He asked for elaboration regarding a report detailing the use of funds for these purposes. Smith agreed to provide the requested information and highlighted the commission's achievements in habitat improvement.

Rep. Mandy Steele (D-Allegheny) expressed appreciation for the progress in officer compensation discussions and PGC's handling of oil and gas revenue. She asked how PGC plans to utilize its funding. Smith discussed the commission's financial situation, emphasizing the importance of using the half-billion-dollar revenue wisely for wildlife and habitat, capital improvements and maintaining low license fees. He noted plans to create a 10-year spending plan.

Chairman Kulik questioned the tangible impact of changing hunting season start dates on license sales. Smith explained changes, including the introduction of Saturday and Sunday hunting and the effects of COVID-19, have halted the previous decline in hunting license sales, stabilizing around 852,000. He emphasized the complexity of attributing changes in hunting license sales to any single factor. He acknowledged a downward trend that stabilized around 2018-2019.

Minority Chairman David Maloney (R-Berks) criticized PGC's operations and accountability, particularly in deer population management and the use of sportsmen's funds. He called for habitat improvement in state game lands. He highlighted a toxic work environment within the commission that may contribute to staffing shortages. He questioned PGC's consultation with a Texas company, identified by Gustafson as Netherland Sewell and Associates Incorporated. He demanded transparency and accountability. He further expressed concerns about the closure of pheasant propagation areas and the destruction of a genetically developed pheasant. He encouraged investment in breeding Chronic Wasting Disease (CWD) resistant whitetail deer. He mentioned his efforts in passing hunter safety course legislation and criticized PGC's poor responsiveness during its development. In closing, he warned PGC he will call for media attention and public scrutiny regarding spending at the Turkey Federation in Nashville, Tennessee, should the commission continue to push "delete, delete, delete" directives.