

Game and Fish Fund Budgetary Oversight Committee

Authorized under *Minnesota Statutes*, section 97A.055, subd. 4b

**Citizen Oversight Report on
Game and Fish Fund Expenditures
Fiscal Year 2013**

June 2014

Game and Fish Fund Budgetary Oversight Committee

—Authorized under Minnesota Statutes, section 97A.055, subd. 4b—

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July 22, 2014

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Representative Denny McNamara
Ranking Minority Member, Environment, Natural
Resources, and Agriculture Finance Committee

RE: Budgetary Oversight Committee Report on FY 2013

Commissioner, Senators and Representatives:

Enclosed please find the Fiscal Year 2013 Review Report of the Game and Fish Fund Budgetary Oversight Committee (BOC). The BOC and its two subcommittees believe that FY 2013 game and fish fund (GFF) expenditures complied with the overall requirements of the GFF. The detailed section of our report identifies account-specific concerns and recommendations.

We wish to highlight the following topics for your attention:

1. USFWS concerns regarding DNR's payment for MN.IT (Minnesota Information Technology) services
2. Expanded support for outreach for angler recruitment purposes
3. Continued pursuit of revenues for aquatic invasive species programs beyond the GFF
4. Strong support for implementation of the Prairie and Grassland Conservation Plan
5. Continued support for expanded hunter access via land acquisition, easements, or other innovative programs

Thank you for your continued support of healthy, abundant, fish and wildlife populations and their habitats. The members of the BOC are available to discuss any of our FY 2013 recommendations. We also look forward to continuing discussions concerning how the solvency of the GFF can be maintained through the next several state budget cycles.

Yours truly,

A handwritten signature in black ink that reads "John Hunt". The signature is written in a cursive style with a large, stylized initial "J".

John E. Hunt
Chair, Game and Fish Fund Budgetary Oversight Committee

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Executive Summary

Background

The Game and Fish Fund Budgetary Oversight Committee (BOC) is comprised of ten members selected from the Wildlife Oversight Committee (WOC) and the Fisheries Oversight Committee (FOC), plus a BOC Chair appointed by the Commissioner. The WOC and FOC are each made up of 12 members also appointed by the Commissioner of Natural Resources. Wildlife Chief Paul Telander is the DNR liaison with the WOC and Fisheries Chief Don Pereira is the DNR liaison with the FOC.

Key points

Fisheries Oversight Committee

All FY 2013 fisheries-oriented expenditures from the game and fish fund (GFF) reviewed by the FOC appeared to be in keeping with statutory requirements and sound management practices.

The top recommendations of the FOC this year are:

- Provide for a solution to the USFWS concern for diversion of Pittman Robertson reimbursement requirements by securing an exemption from MN.IT (Minnesota Information Technology) or other effective measure(s) before next year. [page 17]
- Provide additional resources for the recently established Marketing Coordinator position to support expanded outreach for angler recruitment purposes. [page 8]
- Continue to pursue and use non-GFF sources for aquatic invasive species management (e.g. user fees). [page 10]
- Continue to support the training required to train the DNR's Federal Grant coordinator to be able to work very closely with the Fish and Wildlife Division fiscal staff. [page 13]

Wildlife Oversight Committee

All FY 2013 wildlife-oriented expenditures from the GFF reviewed by the WOC appeared to be in keeping with statutory requirements and sound management practices.

The top recommendations of the WOC this year are:

- Provide for a solution to the USFWS concern for potential diversion of Pittman Robertson reimbursement requirements by securing an exemption from MN.IT or other effective measure(s) before next year. [page 17]
- Utilize any one-time Pittman Robertson funding for activities that do not have significant ongoing commitments for the future salary obligations. [page 26]
- Support the partnership of conservation leaders to implement the Prairie and Grassland Conservation Plan to protect and manage dwindling grassland and prairie resources and the following strategies. [page 7]
- Support additional public access by continued land acquisition, habitat protection and enhancement programs such as easements, and a fully funded walk-in access program. These lands are critical for providing opportunities for hunters, trappers, and other recreationists, improving water quality, reducing severity of flooding, and related prairie, wetland, and grassland benefits. [pages 6, 22]

Final report

This report was approved by the BOC by an email vote completed on July 22, 2014.

Expenditure Review and Policy Recommendations by DNR Program

Fish Management

As stated in the Game and Fish Fund report, the Section of Fisheries manages aquatic habitat and recreational and commercial fishing on approximately 5,400 lakes and 16,000 miles of fishable streams and river. Annually, anglers spend over 20 million person-days fishing in Minnesota. The six core functions of fisheries management include population management; habitat management; culture and stocking; education, outreach, and rulemaking; planning and coordination; and Division services. The total FY 2013 expenditures for Section of Fisheries including dedicated funds and heritage enhancement funding is \$32,545,000.

General Findings

Fisheries Oversight Committee (FOC) members conducted a thorough review of the FY 2013 Game and Fish Fund Report. The FOC found no significant issues with the appropriateness of spending covered under the Fish Management section of that Report. After an overall review of Fish Management expenditures, the FOC chose to focus its review this year on efforts and expenditures under the Education, Outreach, and Rulemaking core functions. The FOC's findings and recommendations are included under the Outreach/Marketing section.

In addition, the FOC makes the following comments and findings on other aspect of Fish Management spending:

The relative "mix" of expenditures in each of the six core function areas seems appropriate, with the exception that the Committee recommends increased spending for outreach/marketing (see later comments).

Habitat Management. The Committee supports the emphasis on habitat improvement and protection noted on page 6 of the Report. However, the Committee is concerned that the DNR is not directing adequate funding to acquire aquatic management areas to meet targets in Minnesota's Aquatic Management Area Acquisition Plan 2008–2033, nor taking full advantage of the opportunities to acquire permanent easements from willing sellers which staff have spent considerable efforts to facilitate.

Culture and Stocking. The DNR indicated in FOC meetings that management plans drives fish culture and stocking levels. The Committee fully supports this approach and recommends that management plans and stocking strategies take into account the ability of wild, naturally reproducing fish populations to maximize the productivity of our lakes, rivers, and streams.

Budget Recommendations

None

Policy/Activity Recommendations

1. The DNR should request substantially more funding to acquire aquatic management areas from sources such as the Outdoor Heritage Fund, Environment and Natural Resources Trust Fund, and bonding in order to take full advantage of staff efforts to secure willing sellers.

2. The committee recommends that fish culture and stocking levels continue to be determined by science based management plans that take into account the advantages of wild, naturally reproducing fish populations, including their ability to maximize the productivity of our lakes, rivers, and streams.

Requests for further information or analysis

None

Muskie Stocking and Management

Findings

The FOC is satisfied that the DNR is addressing the concerns it raised in connection with the FY2013 Game and Fish Fund Report. Based on the DNR's December 2013 response to the BOC's FY2012 report, the new model for muskie rearing and stocking is being implemented in FY2014.

Budget Recommendations

None

Policy/Activity Recommendations

3. The FOC commends the DNR for adopting a new model for shared services (Human Resources, Management Resources, Office of Budget and Management, and Office of Communications and Outreach) starting FY2014. The FOC would like an update during its 2015 meetings on how the new model for shared services has affected the costs of producing muskie.

Requests for further information or analysis

As part of the next review cycle, the FOC would appreciate additional discussion or information on the following topics or questions:

- The FOC would like a better explanation for the difference in actual costs versus the way in which the costs are calculated and reported in the Game and Fish Fund Report.
- Do organizations (e.g. Muskies, Inc. or others) provide direct dollars in addition to the posted Game and Fish Fund dollars for the propagation of various sizes of muskie?
- How much of the program cost is due to rearing fish to the larger size?
- If Muskies, Inc. provides funds, does that contribution actually reduce the "calculated" cost per fish?

Coldwater Fish Stocking and Management Program

Findings

The FOC understands that the evaluation of the French River Hatchery is continuing and renews its request to be given an opportunity to review DNR recommendations and provide input. The FOC remains concerned with the high production costs at this facility.

The Knife River weir and fish trap is a valuable tool for managing steelhead and other salmonids in Lake Superior and its tributaries. The FOC commends the DNR for using all due haste to repair the Knife River weir and fish trap.

The FOC appreciates the DNR's efforts to develop a trout stream setback permit for silica sand mining in southeastern Minnesota. However, the FOC remains very concerned about the potential impact of silica sand mining and processing on coldwater fisheries, particularly in southeastern Minnesota. Many millions of dollars from the GFF and other state funds have been invested to protect, restore and manage these valuable fisheries. The FOC urges vigilance by all divisions of the DNR to ensure these investments are protected. The DNR has indicated that there are approximately one dozen streams in southeast Minnesota that are not yet officially designated as "designated trout streams," but which currently support, or are capable of supporting, trout. As highlighted below, the FOC urges that these streams be designated by the Commissioner as quickly as possible in order to extend protections, including those in Minnesota Statutes, section 103G.217.

Budget Recommendations

None

Policy/Activity Recommendations

4. The FOC recommends that science based management plans drive decisions concern operation and production levels of the French River Hatchery, and that stocking strategies for Lake Superior and its tributaries should not be changed merely to utilize more of that facility's production capacity.
5. The FOC recommends that the Commissioner act without delay to designate as "designated trout streams" all streams and tributaries which currently support trout, or which are capable of supporting trout.

Requests for further information or analysis

The FOC would like an opportunity to provide input in connection with the updating of the Lake Superior Management Plan, scheduled to begin in fall 2014.

Wildlife Management

The Section of Wildlife manages 1,430 wildlife management areas (WMA) totaling more than 1.3 million acres. Over 50 wildlife species are managed through regulated harvest and these efforts provide opportunities for 575,000 licensed hunters. Game expenditures relate to five core functions: habitat management, population management, education and outreach, planning and coordination, and division support. The total FY 2013 expenditures for Section of Wildlife activities including dedicated funds and heritage enhancement funding is \$29,780,000.

Findings

Standards and Desired Future Conditions for WMAs. Operating standards and desired future condition plans are needed to optimize game management on WMAs for habitat, food plots where appropriate, winter cover, grasslands, and wetlands, to improve hunter experiences and management consistency of WMAs across landscape regions. This is especially important as many long time unit and area wildlife managers retire.

Streamline management and accounting. The Deer Management Account and the Deer and Bear Management Account should be evaluated to determine ramifications from consolidating these

accounts to streamline administration and bureaucracy.

Deer Feeding. Strongly consider eliminating the emergency deer feeding portion of the Deer and Bear Management Account and use the money for Wild Cervid Health or habitat management. Note: This should not preclude considerations for emergency deer feeding after the DNR's emergency deer feeding guidelines are updated.

Section Staffing Realignment. An evaluation is desired for the structural changes that occurred within the Division of Fish and Wildlife in 2012 to determine the success of increasing habitat acreage in active management and/or any savings and efficiencies realized in other areas of the operation.

Budget Recommendations

6. Continue to make incremental adjustments to align license revenue generated by the sale of wildlife related licenses and stamps more closely with wildlife expenditures (long-term outcome to reduce reliance on hunting revenue to support Fisheries Section activities). We desire that the gap be closed by 4-6% over the next three biennia. Total wildlife management expenditures are less than they were in FY 11.
7. Develop a strategic plan to address sustaining hunting license revenues including all stamps and fees to keep up with inflation.
8. Support the newly developed Walk in Access program, however it is essential that the program becomes self-sustaining. The DNR should develop a sustainable, long term funding model ensuring that revenue derived from the program matches administrative and land lease costs. The DNR should pursue options under existing authority rather than seek a legislated solution.
9. Expenses of wolf management (enforcement, direct research, population census, administering regulated hunting and trapping should be completely presented in the next report to better understand the resources needed to manage wolves in Minnesota. Once a more complete budget for all DNR led wolf activities, the DNR should work with the legislature to develop a structure to better cover wolf management costs.

Policy/Activity Recommendations

10. Increase efforts to broker a compromise between trappers and hunters who own hunting dogs to reduce the incidence of trap-killed or injured dogs by the start of the next trapping season.
11. Complete one pilot WMA planning project in each region by August 2015 that fully describes management strategies and desired future conditions on major units and WMAs.
12. Continue efforts to better align forecasted fund balances with information contained within the report.
13. Ensure that infrastructure, programming, and activities comply with all applicable accessibility requirements and provide additional opportunities for an aging and population of all ability levels.

14. Work to increase landowner knowledge and compliance of the state-required 50-foot buffer strips along Minnesota protected watercourses. Eighty percent of croplands are missing the full required 50-foot buffer strips on each side of the protected watercourse. Additional compliance will promote increased water quality and additional wildlife habitat on private lands.
15. Assist in providing leadership to establish standards for sustainable farming similar to the forest certification program in the forest products industry.
16. Meet with large users of agri-business products to promote purchase of only those agricultural products grown from sustainable farming operations that return more grass on the landscape and maintain or enhance soil health and water quality.
17. Accelerate work with other state agencies, conservation and agricultural organizations, and the legislature to provide and promote improved land and water conservation in areas of intensive agriculture.
18. Best management practices are needed for installation, collection, and conveyance systems so that sustainable conservation measures reduce the transport of sediment and pollutants, provide for wildlife values, protect ground water, and provide for appropriate water quantity and quality of wetlands, streams, rivers, and lakes
19. Support use of staff and resources for interagency implementation teams for the prairie conservation plan.

Requests for further information or analysis

The WOC requests that the DNR develop standards and desired future conditions for major units of the DNR's wildlife management areas.

The WOC requests that the Section of Wildlife provide information on the successes of the staffing realignment (verbal or email update, not a report).

The WOC requests that the DNR develop additional sustainable funding proposals for wolf management and the walk-in access program in addition to the ones that have not met with legislative approval.

Outreach Section

This section provides information, education, and public engagement with and through stakeholder organizations to deliver hunting and fishing skills programs, aquatic education, mentored hunting, and outreach to emerging immigrant populations. It also coordinates media, marketing, and communications activities including web content, news releases, hunting and angling participation campaigns, and support materials for division programs. As shown below, both the FOC and WOC reviewed expenditures for this Section and provide comments and recommendations.

Findings

From FOC review

The FY2013 Game and Fish Report projected revenues from 2014-2017 will increase proportionally to expenditures as a result of the license fee increases approved in 2012.

Although in 2013 the fund balance decreased following a drop in license sales even with the increased license fees, it appears part of the shortfall in license sales was due to a delay in the fishing opener with ice going out late across the state.

The FOC is concerned the DNR is putting too much reliance on the 2012 license cost increase to offset the rising expenditures going forward. Over the last decade, license sales have been consistent in sales but lack measurable annual growth.

In 2013, the DNR created a Marketing Coordinator position in an effort to increase promotion of fishing in Minnesota. The FOC commends this effort, but is concerned that the external marketing budget associated with this new position is so small (\$25,000), especially relative to the effort expended by other parts of DNR and the \$7.6 million spent on similar promotional activities by the Minnesota Department of Tourism (ExploreMN).

From WOC review

Overall Public Relations: The WOC believes that additional information and education delivery are needed to improve the image of the DNR for hunters, anglers, and all Minnesotans. Continue innovative programs and services such as the Recreation Compass and Get Out Minnesota.

An overall marketing strategy is needed to engage citizens in hunting, trapping, and angling related activities and to increase overall public support for sound wildlife management practices.

Budget Recommendations

From FOC review

20. The FOC strongly feels the new marketing coordinator position is a key asset to support the long-term GFF revenues. However, the FOC feels the marketing budget is underfunded. The FOC recommends the DNR propose future GFF expenditures to include additional marketing funding to meet goals for future fishing license revenues.

From WOC review

None

Policy/Activity Recommendations

From FOC review

21. The FOC recommends the DNR explore possible options to add a nominal surcharge to every hunting and fishing license sale that could be dedicated to education, marketing, and outreach.
22. The FOC recommends the DNR Marketing Coordinator seek continued partnership and support from Explore MN to incorporate more fishing-related content into their ads. These ads should target families, youth, and out-of-state and lapsed fishing license buyers.

From WOC review

23. Continue the highly successful Archery-in-the-Schools program. As program participation increases, provide additional funding as needed.
24. Provide additional support to high school teams for shooting sports (trap) with appropriate funding mechanisms to support or enhance expansion of the program.
25. Implement strategies developed by the newly formed hunter recruitment and retention work group.
26. Expand marketing efforts for critical habitat license plates to generate increased revenue without major increases in the license plate fee for the current 107,000 purchasers.
27. Expand marketing efforts for wild rice management and harvest.
28. Develop a concentrated marketing campaign utilizing the print media and social media products to educate the public about cleaning and utilizing northern pike.

Requests for further information or analysis

Provide an overview of total Outreach efforts and overall marketing strategies to the BOC next year.

Provide an estimate of all hunting and angling outreach and marketing efforts and related activities by DNR staff to go along with the \$1.654 million identified in the separate Outreach section.

Provide a participation trend graph for shooting sports (High School trap and Scholastic Clays) in next year's report.

License Center Operations

The License Center handles the distribution of licenses, stamps, and permits required by hunter, anglers, trappers and commercial game and fish operators. Agents for the Electronic Licensing System (ELS) process approximately 99% of all transactions. More than 2.4 million licenses, permits and various transactions were handled through ELS generating \$58 million in revenue for the year. The License Center also handles harvest registration with about 50% of turkey and deer hunters taking advantage of this convenience. Minnesota is one of eight states in a pilot program to sell federal duck stamps electronically.

Findings

From FOC review

Lifetime fishing licenses as gifts are a great opportunity for older generations to pass on the tradition of fishing to younger generations. This is especially beneficial considering the current trends that indicate younger generations are not taking up fishing. Forty to sixty percent of lifetime fishing licenses are purchased for individuals ages 3 -15. This indicates many of the purchases are more than likely for gifts.

The FOC supports increased promotion of this license to provide outreach in the recruitment of younger anglers and increase revenues to the GFF.

From WOC review

Expenditures and Revenues: A noticeable improvement was made in the FY 13 report for tracking license and stamp revenues as well as additional detail of the cost of license center operations.

Budget Recommendations

From FOC review

The FOC recommends the DNR increase marketing promotion of the Life Time Fishing License. These efforts should include marketing the concept of using the Life Time Fishing as a gift to younger anglers.

From WOC review

29. Continue third party handling of the day to day operation of the ELS system
30. Support the user funded operation of the license center, e.g. 10% of stamp sale use for license center operations and enhancements to provide sustainable funding for that operation.

Policy/Activity Recommendations

From FOC review

31. The FOC recommends the DNR re-evaluate the process to purchase a lifetime fishing license. Consideration should include developing a streamline process that would allow ELS agents to have the ability to sell a lifetime fishing license for the first purchase at an ELS Terminal.

From WOC review

32. Continue to explore license center software changes to consolidate paper for users who purchase licenses at different times.

Requests for further information or analysis

None

Ecological and Water Resources

Findings

The FOC is satisfied with the DNR's response to our earlier recommendation that no added full time employees for AIS work be funded by the GFF.

Budget Recommendations

33. The FOC recommends against any use of the GFF for AIS work or research. The FOC is recommending a user fee approach to help fund the AIS program. The user fee needs to be a dedicated fee to the AIS program, and would replace general fund or GFF appropriations in the future.

Policy/Activity Recommendations

34. The FOC is happy with the efforts the DNR is putting into the education of the public on AIS prevention. However, the FOC still sees a need to simplify the message to the public.

Requests for further information or analysis

None

Enforcement

The Division of Enforcement provides more than 380,000 officer and staff hours per year devoted to the core functions of law enforcement, public safety, and education.

Findings

From WOC review

Strategic Plan: The division is currently undergoing a strategic planning effort. The strategic plan currently under development is expected to identify options for a new model for accomplishing natural resources enforcement in the 21st century. The model could include an option for a cluster of officers working specific areas as opposed to the traditional one officer per area. More structure could be built into scheduling officers to cover specific times to reduce overhead (e.g. overtime). This is important to consider as part of a more comprehensive package of delivering effective enforcement, allowing officers with more undisturbed personal time, and controlling long-term cost obligations.

Public contact: It is important that the new records management system include public contact measurements such as number and locations of license checks (anglers, ATVers, snowmobilers, hunters et al) as well as outreach numbers such as firearms safety, snowmobile and ATV certifications, college class presentations et al).

From FOC review

Compensable charges: Restitution compensations are predicated on the type and size of species. For example, the fine for walleye is \$30, but if it's above a certain size, the violator will pay an additional fine for each inch over the set size. There is a federal catalogue for all type of game and fish restitution values, even minnows and leeches have a restitution value. We note that no restitution value exists for catfish.

Staffing: Last year enforcement was short 28 officers, this year they are short 33 officers. An academy for 10 conservation officer candidates began in April 2014. Another academy for 8 – 10 candidates is anticipated, but the potential addition of 18-20 new conservation officers will be offset by retirements or attrition.

For the next biennium, state employees are getting a 3% raise each year. This increased compensation will impact enforcement budgets to the extent that in 2 years there may be an 8% increase that was not included in last year's actual budget. The division is currently not filling vacancies, so they appear to be relying on budget available due to staff retirements or attrition.

The DNR is also attempting to hire minority individuals to become conservation officers in an effort to replicate the minority makeup of the general population. There are extra funds for this purpose, and if it is not used, it will be lost.

Budget Recommendations

From WOC review

35. Continue to explore efficiencies and streamline operations such as fleet while maximizing time in the field in an effort to reduce the 29% not directed field service hours.

36. Ensure retirement benefits are commensurate with the sustainability of that obligation to minimize future loss of overall enforcement efforts and impact to the GFF.

From FOC review

37. Repeat the request for supplemental funds (budget request) in response to the governor's office previous veto.
38. Ensure that proceeds from auctions of confiscated hunting and fishing equipment go into the GFF, as the auction nets \$135,000 to \$140,000 each year.

Policy/Activity Recommendations

From WOC review

39. Include public contacts (and locations) and outreach numbers (such as classes for ATV, snowmobile, firearm safety, etc.) in the new records management system.
40. Continue to maximize use of officers for saturation activities such as Lake of the Woods or other areas of highly concentrated natural resource activities.
41. Research alternatives that can be used with the new records management system to help determine overall compliance rates for hunters and anglers to better target information, education, and enforcement efforts.

From FOC review

42. The FOC recommends that the DNR work with the legislature to set restitution values at levels similar to the federal restitution values, and that a restitution value be established for catfish.
43. Continue to attempt to recruit and train minority officers to the extent that additional funds have been appropriated for their employment and training. This will also aid in reaching the overarching goal of having a workforce that represents the population served. In addition, it helps with public relations especially as we relate to more ethnically diverse populations with different social mores and appreciations of the resource than we are used to.

Requests for further information or analysis

From WOC review

Provide the BOC with an update during the next review cycle regarding the strategic plan and innovative concepts for enforcement efforts and activities.

From FOC review

None

Parks and Trails

Findings

The FOC focused on the boating access program funded by the GFF fund in the FY 2012 report. A major concern was expressed about large carryover balances that made the DNR vulnerable to loss of these funds through reversion back to the Fish and Wildlife Service if not expended within a 5-year period. The

FOC was also concerned about lack of a strategic plan and operational plans that would focus new boating access projects in the highest priority locations to benefit anglers.

The FOC is pleased that the Fisheries Section and the Division of Parks and Trails have formed a working group tasked with developing a strategy to address large carryover balances in the Federal boating access account. They will also be developing recommendations to even out the annual expenditures, as recommended by the FOC, including allocating more Federal funding to maintenance of existing accesses and better managing acquisitions and developments to spread costs over time. The Division also is proceeding with plans to update the boating access strategic plan as recommended by the FOC. Thanks to Linda, Dana, Stan, Nancy, Heather, and other members of the working group for their efforts.

The FOC is pleased that Fish and Wildlife Division fiscal staff and the Federal Grant Coordinator are developing a close working relationship through training opportunities provided by the FWS, the internal committee mentioned above and other formal and informal mechanisms.

Budget Recommendations

None

Policy/Activity Recommendations

44. The FOC recommends that the amount of funds set aside in escrow for current acquisitions be listed in their balance sheet, so one would be able to see that there is money there to pay for projects that have been committed to.
45. The process to select boating access projects should be fully coordinated with Regional and Area Fish and Wildlife managers to identify and select priority access opportunities and maintenance needs consistent with a Boating Access strategic plan.

Requests for further information or analysis

The FOC requests an update on the boating access plan FY 2014-2015 during the next review cycle.

Forestry

Findings

Habitat: The Division of Forestry administers approximately 4.2 million acres of forestlands. The majority of this land is open for hunting, and state forests serve as vital habitat for almost one-third of the state's Species in Greatest Need. Of the 4.2 million acres, however, only 30,000 acres are harvested and regenerated each year. Although expenditures from the GFF primarily support the Ecological Land Classification (ECS) Program and control of invasive species, it appears that more acres per year should be harvested and/or regenerated.

Budget Recommendations

46. Continue to seek additional funds from LCCMR to supplement GFF allocations for the invasive species program that is critical for protecting forest habitat.

47. Apply (or continue to apply) for reimbursement Pittman-Robertson grants for all forest management overhead and operational activities on WMAs to save G&F funds for other habitat management activities.

Policy/Activity Recommendations

48. Increase harvest on state-owned land by an additional 10% from the current 30,000-acre effort to enhance habitat for forest wildlife.
49. Provide additional contract options so smaller logging operators can participate in greater forest management activities by conducting sales for a variety of cordages.
50. Continue to provide the exceptional detail in use and outcomes from the GFF.

Requests for further information or analysis

Report on the outcome for increasing logging operations for forest habitat management.

Analyze and seek to reduce the 16% department services charge from GFF expenditures for forestry (e.g., Lands and Minerals charges 9% of total expenditures for department services.)

Lands and Minerals

The Division of Lands and Minerals manages real estate transactions on 5.7 million acres of DNR land and 12 million acres of state mineral rights. The Division is responsible for land surveys and managing real estate transactions on game and fish lands.

Findings

Cost Containment: There is concern about escalating costs for the lands records system from the GFF. While the GFF report (p. 72) lists a project cost of \$5,000,000 for the Land Records System, the total cost of the system appears much closer to \$6.8 million. These cost overruns continue to affect the ability of the Division of Fish and Wildlife to do on the ground management when funds continue to be allocated to internal systems. In addition, there are concerns that once online, the Land Records System software and hardware will continue to need fine-tuning, updating or replacement resulting in additional costs to the Division that will further reduce habitat and population management activities.

Game and Fish Report Outcomes: Improvement is desired in providing outcomes for the next Game and Fish report such as the acres and miles accomplished by game and fish boundary surveys.

Budget Recommendations

51. Control professional services charges and Office of Enterprise Technology overhead expenses so that the four year multi-million dollar lands record system is completed on time and within budget. It appears that the \$5 million project has grown to \$6.8 million.
52. Provide enhanced revenue options to increase the current \$13,000 that is generated on 1461 cooperative farming contract acres.
53. Provide a longer term estimate (currently at \$326,000 per year) to maintain the new lands records system and examine how these costs to the GFF can be more sustainable.

Policy/Activity Recommendations

54. Include more detail (such as adding acres or miles) in the table listing GFF-supported land surveys that were completed in the year.
55. Continue to implement administrative improvements (e.g. streamlining RIM processing and payments).
56. Develop standards so that activities such as surveying can be completed within a timeframe that is commensurate with private and non-profit real estate transactions. Contract with private surveyors as needed to support transaction schedule deadlines or goals.
57. Continue to explore ways of streamlining the acquisition process to reduce both the time and cost of the DNR acquiring high quality lands for management purposes.

Requests for further information or analysis

Provide an update on the costs of land records system development and ongoing maintenance and operations costs.

Provide an update on the continuous improvement process for land management and acquisition activities.

Operations Support

The relatively new Division of Operations Support provides administrative support for budget management, infrastructure management such as fleet and engineering services, communications and outreach, and human resources. This Division is funded through professional service type agreements that are made with the other divisions who receive a mix of funds from dedicated funds, general fund, bonding, and other sources of revenue to cover those expenses. Operations support also includes costs associated with the Commissioner's office and four regional offices.

Findings

From WOC review

Transparency of Total Support Costs: There was good improvement in the transparency of this cost center in the 2013 report by including department service costs in each accounting area. Further improvement could be made by modifying the definition of the Operations Support section to include more than just regional operations and indirect costs. If the total department service costs from the GFF were included in this section, the total overhead service costs to run the DNR would be more readily identifiable.

From FOC review

MN.IT services

The FOC noted on Table 17 of the GFF report that the Division Services budget had \$1,018,000 budgeted for "Information Services." In addition, the FOC notes that Table 18 had \$3,371,000 budgeted for department service costs that include MN.IT (Minnesota Information Technology).

The Legislature directed the reorganization and consolidation of Information Technology Services from various agencies including the DNR into a new organization by October 1, 2011. The legislation indicated that "...powers, duties, responsibilities, personnel and assets....are transferred to the Office of Enterprise Technology..." otherwise known as MN.IT. Further, the legislation indicated that "...by July 1, 2013, the state chief information officer shall control and direct all information and telecommunications technology spending...This shall be reflected in the fiscal year 2014-2015 biennial budget."

The FOC asked questions about these expenditures and expressed early concern over the transfer of GFF funds to the MN.IT organization and the possible diversion and loss of control of GFF funds.

This concern was independently reinforced in a letter dated February 13, 2014 from Jim Hodgson, Chief, Wildlife and Sportfish Restoration Programs, U.S. Fish and Wildlife Service (USFWS). Mr. Hodgson indicated that there was a conflict between the legislation that consolidated IT services (M.S. 16 E.145 Information Technology Appropriation enacted July 1, 2013) and Federal law and Minnesota's own Assent Legislation which indicates that state fish and wildlife agencies must maintain management control over spending of hunting and fishing license revenues and property (e.g. IT equipment) acquired with license revenues.

The USFWS further indicated that they would begin the process to find the State in diversion of license revenue with the consequence of suspending participation in the Federal Grant program, which was estimated at \$32 million for Federal Fiscal Year 2014. Loss of these federal funds would severely cripple Minnesota's fish and wildlife management programs with catastrophic consequences for Minnesota hunters and anglers, as well as the state's fish and wildlife and associated habitats.

The USFWS indicated that the DNR must take prompt action to correct the IT legislation to clarify that the DNR retains management and spending control over hunting and fishing license revenues deposited in the GFF and all IT equipment acquired with those revenues.

The DNR Deputy Commissioner met with the USFWS Regional Director and staff in March 2014 to discuss USFWS concerns. The DNR indicated to USFWS that, as of this point in time, there had been no actual transfer of funds, personnel or equipment to the MN.IT organization out of the control of the DNR Commissioner and therefore a diversion of GFF funds had not occurred. USFWS also informed the DNR that a formal Federal audit was underway and this conflict had been identified in the preliminary audit report and included a negative finding.

Deputy Commissioner Schad briefed the FOC on this meeting and indicated that the State would cooperate through the audit process to reach a resolution. Mr. Schad indicated that options would be considered including legislative action but he indicated the DNR also felt that other approaches short of legislative change could potentially resolve the conflict. USFWS agreed to use the formal audit process to achieve resolution.

While the DNR has assured the FOC that no diversion of funds, personnel, or IT equipment has yet occurred, the FOC believes that the concerns expressed by USFWS in February 2014 will continue to exist because the legislature has directed that all IT spending be controlled by MN.IT in the 2014-2015 biennial budget. The FOC is very concerned, therefore, that the DNR remains at risk of losing Pittman-Robertson funds unless state legislation for IT services is modified.

Budget Recommendations

From WOC review

58. Develop budget options for operations support consistent with Division requirements for cost control strategies.

From FOC review

59. Until a formal resolution is accomplished, the FOC recommends that a formal shared services cost allocation plan and cost coding procedures be established to pay for MN.IT services on a reimbursable basis as approved by the DNR Commissioner.

Policy/Activity Recommendations

From WOC review

60. Include regional and Commissioner's office in any budget scenarios for reductions or enhancements.

From FOC review

61. The FOC urges the DNR, acting through the Governor's Office, to work with the legislature to amend the 2011 IT legislation to restore management control to the DNR from the Office of Enterprise Technology (MN.IT) in the next Legislative session.
62. The FOC recommends that the IT policy requiring periodic replacement of computer equipment be reevaluated since it may not be necessary given operational requirements.
63. The FOC recommends that MN.IT develop a cost recovery program to sell serviceable GFF purchased computer and computer equipment that are periodically replaced and return such funds to the GFF. This assumes that such a program would be financially feasible and physically possible. If not, then the DNR should provide evidence to that fact.

Requests for further information or analysis

From WOC review

The WOC requests that DNR consider how total overhead costs could be included in the next report.

From FOC review

The FOC requests an analysis to ensure that MN.IT costs charged to the DNR are fair and equitable compared to other agencies and justified based on operational requirements.

Game and Fish Dedicated Accounts

Deer and Bear Management – Computerized Licensing

This account is funded by \$1 from each deer and bear license and \$1 from each validated lifetime license to be used for deer and bear management. This account also includes funding for the computerized licensing system. Total spending authorization is \$1.871 million.

Findings

The WOC strongly supports DNR's science-based efforts to manage Minnesota's big game populations.

Budget Recommendations

64. This account should be evaluated to determine ramifications from consolidating it with the Deer Management Account.
65. This portion of the account should receive strong consideration to be eliminated (pending outcome of the current re-evaluation of deer feeding guidelines) with the revenue transferred for cervid health.
66. Develop a separate cervid health management sub-account to better track costs of myriad disease and big game population limitations.
67. Define a minimum account balance necessary (estimated to be in the \$600,000 range) to meet the needs of an emergency outbreak of a cervid health related issue and report that balance in future reports for planning purposes.
68. Eliminate the deer feeding portion of this account and develop a formal partnership agreement with MDHA or similar organizations for implementing deer feeding programs, if any, in the future.

Policy/Activity Recommendations

69. Support the current accelerated timetable to establish new deer population goals so that all zones and areas can be implemented by 2016.
70. Consider the best venue to expand information and education about deer management and goal setting (e.g., provide a footnote in the hunter synopsis and/or permit area map directing people to the website for detailed information).
71. Continue moratorium on moose hunting seasons.
72. Update the elk management plan to determine opportunities to increase the population.

Requests for further information or analysis

Analyze the benefits of streamlining the deer and deer and bear management accounts, eliminate the deer feeding account, while keeping a separate wild cervid health sub-account.

Deer Management Account **(including emergency deer feeding and wild cervid health management)**

Revenues for this account are generated from \$2.00 from the sale of each annual deer license and \$2.00 from each validated lifetime deer license. Total spending authorization for FY 13 was \$2.364 million.

Findings

None

Budget Recommendations

73. This account should be evaluated to determine ramifications from consolidating it with the Deer and Bear Management Account.

Policy/Activity Recommendations

None

Requests for further information or analysis

Inform the WOC about the ramifications of combining the two accounts.

Waterfowl Habitat Improvement Account

This account is funded through a \$7.50 annual stamp that is required by all waterfowl hunters 18 years of age and older. Money from the account may be used for development of wetlands and lakes through habitat evaluation, construction of control structures, nest cover, rough fish barriers, and management of migratory waterfowl, restoration, maintenance and preservation of waterfowl habitat. Spending authority in FY 13 was \$909,000.

Findings

Changes and Innovation: Support the recent expansion of hunting opportunities for open water layout shooting, earlier season for increased teal/wood duck harvest opportunities, ½ hour before sunrise opener, and other expanded opportunities that enhance hunter recruitment and retention efforts.

Season Framework: With the expansion of opportunities for harvesting Canada geese, snow geese, and an earlier start to the regular season, the WOC is not in favor of an additional early teal season. Concerns are potential interference with Youth Waterfowl Day, concerns over hunter-bird identification for a teal only season and the potential negative PR from non-hunters, and the costs associated with monitoring and enforcing the bag limits.

Budget Recommendations

74. Develop a plan for incremental increases in the state waterfowl stamp to keep pace (at a minimum) with inflation.

Policy/Activity Recommendations

75. Delay indefinitely any plans for an early teal season.
76. Continue the waterfowl youth opener for recruitment of the next generation of duck and goose hunters.

77. Establish 14,000 acres of seasonal wetlands using moist soil management techniques. The DNR conservation goal is 12,000 acres with some stakeholders desiring a higher target.
78. Accelerate enhancement of 1,800 shallow lakes for waterfowl migration habitat. This is a long-term goal first recommended by the BOC in 2010.

Requests for further information or analysis

Provide an update on meeting performance outcomes.

Trout and Salmon Management Account

This account is funded through a \$10.00 annual stamp that is required by anglers ages 18 to 65 to fish designated trout streams, trout lakes, and Lake Superior, and when in possession of trout or salmon. Funds are used for the development, restoration, maintenance, and preservation of trout streams and lakes; rearing and stocking of trout and salmon; identification and acquisition of fee title easements along trout waters; and research and special management projects on Lake Superior.

Findings

The FOC has reviewed the accounts and expenditures of the FY 2013 Trout and Salmon Management Account (2204), as summarized on page 82 of the GFF Report. The FOC finds that the expenditures outlined there are compliant with the legislative intent of Minnesota Statutes, section 97A.075, subd. 3.

Budget Recommendations

None

Policy/Activity Recommendations

None

Requests for further information or analysis

None

Pheasant Habitat Improvement Account

This account is funded through a \$7.50 annual habitat stamp that is required by anyone 18 years and older who hunt pheasants to be used for the development, restoration and maintenance of suitable pheasant habitat. It includes the promotion of pheasant habitat development and maintenance of government farm programs and federal conservation reserve programs. Spending authority in FY 13 was \$739,000.

Findings

None

Budget Recommendations

79. With the accelerated changes occurring on private land, increase financial and technical support to maintain or enhance RIM, CRP, and other programs that provide habitat and hunter opportunities.

80. Double the financial assistance for the partnership with BWSR to expand technical support to landowners and their participation in federal Farm Bill Conservation Programs (from \$150 to \$300K/year).
81. Provide a sustainable funding source for the Walk-in or other innovative hunter access programs through a combination of user fees, the federal farm bill, or other funding opportunities (but not from the short-term increases in the PR fund).
82. Increase the cost of the pheasant stamp incrementally to keep up with inflation.

Policy/Activity Recommendations

83. Create a best management practice guide for food plots on private land and develop a strategy to distribute to landowners as recommended by the BOC in 2010. The plan should be consistent with the pheasant habitat model that includes winter cover, grasslands, and food within a nine square mile block.
84. As stable and sustainable funding becomes available, consider including additional counties in the walk-in program.

Requests for further information or analysis

Report on the recommendation for funding a \$150K increase in the partnership funding with BWSR.

Wild Rice Management Account

This account is funded through a daily and annual wild rice harvesting license with the purpose of managing designated public waters to improve wild rice production. Spending authority in FY13 was \$62,000.

Findings

None

Budget Recommendations

85. Expand partnership with Ducks Unlimited (double monetary effort) to control negative impacts of beaver impounded wild rice areas and increase the number of lakes managed for wild rice from the current 300 by 10% over the next two biennia.

Policy/Activity Recommendations

86. Significantly expand information and education about the cultural and natural resource values of this native grain to include increased efforts to recruit and retain wild rice harvesters.
87. Increase marketing efforts for wild ricing to increase license sales and get more people engaged in the outdoors harvesting the most valuable grain that grows in Minnesota.
88. Provide additional detail in the report on lakes that have received some form of management during the fiscal year.

Requests for further information or analysis

As part of the next review cycle, please provide a list of which lakes currently receive active wild rice management.

Wildlife Acquisition Account (Small Game License Surcharge)

This account is funded through a \$6.50 small game surcharge. At least 50% of money from this account must be spent on price of land costs. The remainder of the fund can be used for development and maintenance of wildlife lands and developing, preserving, restoring, and maintaining waterfowl breeding grounds in Canada.

Findings

Long Term Habitat Protection and Wild Land Opportunities for Citizens: The target is the same as the DNR's conservation agenda target with expected Lessard-Sams Outdoor Heritage funding and is critically important as more marginal land is converted to row crops.

Budget Recommendations

89. Continue to collaborate with conservation groups to maximize acquisition opportunities of key tracts in a timely manner, as the 8,000 acre goal is unattainable with the limited amount of funds available through this account annually.

Policy/Activity Recommendations

90. Continue to acquire the highest priority WMA land to provide contiguous blocks large enough to provide hunting and trapping opportunities at a rate of 8,000 acres per year utilizing a variety of funding sources and partnerships.
91. Continue to identify high quality, high priority lands that are in need of protection for the highest conservation and public benefits.

Requests for further information or analysis

None

Wild Turkey Management Account

This account is funded through \$4.50 of each adult turkey license. The account can be used for the development, restoration, and maintenance of suitable habitat for wild turkeys on public and private land. Some of the activities include timber stand improvement, establishment of nesting cover, winter roost areas, and stable food sources. Spending authority in FY 13 was \$624,000.

Findings

None

Budget Recommendations

92. Increase the cost of a turkey license commensurate with inflation.

Policy/Activity Recommendations

93. Monitor the loss of woodland and travel corridor habitat to assist in determining the resultant reduction and carrying capacity of turkey populations.
94. Monitor, document, and provide information to the public on the impacts of recent destruction and loss of woodland habitat for expansion of agricultural row crops.
95. Partner with the U of M to conduct and analyze a hunter survey to determine harvest and satisfaction information.

Requests for further information or analysis

Report to the WOC on the results and outcomes of the hunter satisfaction survey in calendar year 2015.

Heritage Enhancement Account

Revenue for this account is generated from in-lieu-of-sales-tax on the sale of lottery tickets. Half of this revenue source is directed for spending on activities that improve, enhance, or protect fish and wildlife resources.

Findings

The WOC believes that an internal audit of this account would provide DNR with the information it needs to make adjustments and/or take corrective action before a formal legislative audit occurs.

Budget Recommendations

96. Conduct an internal audit to ensure that 87% of the fund is spent in the field as required for this account.
97. Analyze the continuing need for the major increase in game and fish funding that went to Forestry in 2010, given the condition of other available funding mechanisms.

Policy/Activity Recommendations

None

Requests for further information or analysis

Report on results of audit in 2015.

Lifetime Fish and Wildlife Trust Fund

Revenue from the sales of lifetime licenses are deposited in a Trust Fund. Each year the DNR transfers an amount from the lifetime Trust Fund that would otherwise have been collected and deposited from the sale of annual hunting and fishing licenses.

Findings

Expenditures from the GFF appeared to be in keeping with statutory requirements and sound management practices.

Requests for further information or analysis

None

Walleye Stamp Account

Findings

The walleye stamp program provides supplemental income to support walleye stocking in Minnesota lakes. In 2011 and 2012 the stamp was promoted with radios ads, web, print ads and ELS Agent contact. In 2012 the stamp program generated \$148,320 in sales. This represented the best year to date in sales. In 2013 sales dropped to \$100,320. This drop was attributed to the 2013 increase in license costs. Although the revenues of the stamp helps support walleye stocking it appears the contribution is minimal as compared to the 3.8 million dollar cost of walleye stocking in Minnesota. In 2014 there are no planned marketing efforts to further promote this stamp. The FOC is concerned that lack of promotion from the DNR will cause the revenues to drop even further. In addition, license retailers are the only source of education and sales promotion to the public.

Budget Recommendations

98. The FOC recommends the DNR increase the marketing efforts for the walleye stamp. Those marketing efforts should include the goal of putting less reliance on the ELS agents to sell the stamp and more emphasis on educating the license buyers before they seek their purchase.

Policy/Activity Recommendations

99. The FOC recommends the DNR re-evaluate the overall benefits of the Walleye Stamp program. Consideration should be given to either eliminate the program if promotion will not provide a sizable return on investment or continue with on-going promotion of the stamp providing annual supplemental revenue to support walleye stocking.

Requests for further information or analysis

None

Peace Officer Training Account

This new account was not examined for this report.

Wolf Management and Monitoring Account

Findings

Long Term Sustainability: This is the first year that Wolf Management and Monitoring Account was included in the Report. In the first partial year, revenue of \$250,000 was reported. Revenue in future years is expected to decline due to lower harvest quotas and less hunter participation after the first season.

The report ending June 20, 2013 lists total expenditures of \$133,000 for a partial year of management and used an expenditure forecast of \$250,000 based on the first year's income. The actual costs of wolf management (including payments to contract with USDA and DNR predation control), to set and

administer the wolf season, and to monitor wolf populations were \$419,700 for FY 2013. This total does not include enforcement costs.

The total cost of wolf management, including enforcement costs, needs to be identified so that accurate projections of the revenues needed to manage this special animal as well as demonstrating the commitment to implement the requirements of the Wolf Management Plan.

Management and monitoring of the wolf in Minnesota currently provides a net drain on the GFF balance due to program costs greatly exceeding the revenue from hunting and trapping licenses.

Budget Recommendations

100. Update revenue estimates for future years, which will change, based on reduced permits.
101. Recommend hunting and trapping fees be increased from the legislatively set \$30 to \$50 to better reflect the costs of monitoring and managing this species.

Policy/Activity Recommendations

102. Revise estimates (true total costs) for managing timber wolves, e.g. include Enforcement hours and list the total cost of wolf management and monitoring in the Game and Fish Fund Report.
103. Explore other funding options, including general fund dollars or funds from the Department of Agriculture or USDA for funding depredation response.
104. Strongly support the DNR's science based wolf management plan for hunting and trapping.

Requests for further information or analysis

Report on total costs for managing and monitoring wolves and plans for sustainable funding sources to cover all costs.

Emerging/Other Issues

Findings

Pittman Robertson: It will be important for DNR to prioritize projects and opportunities to effectively use the increased reimbursement funding available to Minnesota. Since this increased funding is a result of what most people view as a temporary increase in firearms and ammunitions sales, the BOC encourages DNR to maximize wildlife management outcomes without committing Minnesota to long-term obligations that are not sustainable.

Legal Fees: The BOC is concerned that legal fees and/or costs related to lawsuits brought against DNR or the state of Minnesota in general by the public that are unrelated to actual game, fish, or land management activities appear to be borne by the GFF.

Budget Recommendations

None

Policy/Activity Recommendations

105. Support expenditures from the anticipated short-term increase in Pittman Robertson funding for significant projects and other habitat protection and management activities that do not have tails in future years when funding is expected to be reduced.
106. The BOC believes that litigation costs associated with denial of research permits, setting of special angling regulations, management of high profile species (e.g. wolves), or similar issues should not be allocated to the GFF as appears to be the current practice or intent, but instead borne by all Minnesota citizens. The BOC recommends that the DNR identify and propose to the legislature an alternative source of funding in an effort to prevent unexpected reductions in game and fish funding for management activities.

Requests for further information or analysis

None