

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 2012**

June 2013

Game and Fish Fund Budgetary Oversight Committee

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

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July 9, 2013

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RE: Budgetary Oversight Committee Report on FY 2012

Commissioner, Senators and Representatives:

Enclosed please find the Fiscal Year 2012 Review Report of the Game and Fish Fund Budgetary Oversight Committee (BOC). The BOC and its two subcommittees believe that FY 2012 game and fish fund expenditures complied with the overall requirements of the game and fish fund. The detailed section of our report identifies account-specific concerns and recommendations.

We wish to highlight the following topics for your attention:

1. The DNR's Parks and Trails Division should continue to modify processes to ensure that game and fish fund expenditures are both strategic and do not carry forward large unexpended balances.
2. The DNR should fund aquatic invasive species (AIS) activities through the general fund or other mechanisms such as user fees to avoid negative impacts on ongoing game and fish fund programs.
3. The DNR and the legislature should ensure that adequate laws and regulations are in place to protect coldwater streams from silica sand mining activities to protect game and fish fund investments.

4. The DNR should provide leadership in working with other state agencies, conservation and agricultural organizations, and the legislature to provide and promote clear understandable conservation drainage concepts.
5. The DNR should support continued land acquisition and other habitat management strategies in agricultural areas due to the unprecedented impacts on grasslands and wetlands. 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.

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 2012 recommendations. We also look forward to continuing discussions concerning how the solvency of the game and fish fund can be maintained.

Yours truly,

A handwritten signature in black ink that reads "John Hunt". The signature is written in a cursive, flowing style.

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). The WOC and FOC are each made up of 12 members appointed by the Commissioner of Natural Resources. The BOC Chair is also appointed by the Commissioner. Wildlife Chief Paul Telander is the department liaison with the WOC and Fisheries Chief Dirk Peterson is the department liaison with the FOC.

Key points

Fisheries Oversight Committee

All FY 2012 fisheries-oriented expenditures from the game and fish fund reviewed by the FOC appeared to be in keeping with statutory requirements and sound management practices.

The FOC respectfully submits the following list of top recommendations for this year:

- The Parks and Trails Division should continue to modify processes to ensure that game and fish fund expenditures are both strategic and do not carry forward large unexpended balances. [page 14]
- The DNR should fund aquatic invasive species (AIS) activities through the general fund or other mechanisms such as user fees to avoid negative impacts on ongoing game and fish fund programs. [page 9]
- The DNR and the legislature should ensure that adequate laws and regulations are in place to protect coldwater streams from silica sand mining activities to protect game and fish fund investments. [page 5]
- The Enforcement Division should examine overhead and direct support expenditures to ensure that the game and fish fund is not being overcharged. [page 11]
- The DNR should continue strong efforts to increase the diversity of its employees across the entire department, but a proposed initiative to provide tuition support for potential conservation officers should be funded from sources other than the game and fish fund. [page 21]
- The DNR should strengthen and accelerate the implementation of the Long Range Plan for Muskellunge and Northern Pike Management. [page 4]
- The Lands and Minerals Division should develop a description of the process to direct charge the game and fish fund for acquisition services that is both fair and transparent and applies the priorities of the Fish and Wildlife Division. [page 13]
- The DNR should add information on its diversity and accessibility activities in subsequent game and fish fund reports to the BOC. [page 8]

The FOC thanks the DNR division chiefs and staff for their input and information and commitment to conservation and management of Minnesota's fish and wildlife resources.

Wildlife Oversight Committee

All FY 2012 wildlife-oriented expenditures from the game and fish fund 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:

- The DNR should provide leadership in working with other state agencies, conservation and agricultural organizations, and the legislature to provide and promote clear understandable conservation drainage concepts. [page 7]
- 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. [page 7]
- Support continued land acquisition and other habitat management strategies in agricultural areas due to the unprecedented impacts on grasslands and wetlands. 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. Support the partnership of conservation leaders that the Department is involved with to protect and manage dwindling grassland and prairie resources. [page 7]
- In spite of the downturn in the forest products industry, continue to provide forest management for game species in northern forests through other strategies. [page 13]

The WOC appreciated the continued accessibility and support of Department staff that were very responsive to our questions, needs, and concerns. Special thanks to Paul Telander, Suzann Willhite, and Annie DuFresne.

Final report

This report was approved by the Game and Fish Fund Budgetary Oversight Committee (BOC) by an email vote completed on June 9, 2013.

Expenditure Review and Policy Recommendations by DNR Program

The Fisheries Oversight Committee (FOC) chose to focus its efforts on the following areas of the game and fish fund report (other areas may receive more attention in next year's review):

- Fish Management – Muskie and Coldwater Activity
- Ecological and Water Resources - Aquatic Invasive Species Activity
- Enforcement (jointly with WOC)
- Lands and Minerals (jointly with WOC and BOC)
- Parks and Trails
- and other game and fish fund issues

The Wildlife Oversight Committee (WOC) reviewed:

- general wildlife operations revenue-expenditures-outcomes
- specific wildlife dedicated accounts
- expenditures and outcomes for work completed by some of the other divisions within the department that utilize the game and fish fund for their operations (Enforcement, Forestry, License Center, and Operations Support)

Fish Management

The Fisheries Section manages 5,400 lakes and 16,000 miles of fishable streams and rivers. Anglers spend over 30 million days of fishing and harvest about 30 million pounds of fish annually. The section's core functions include fish population management, habitat management, culture and stocking, education and outreach, planning and coordination, and division support.

Muskie Stocking and Management

Budget Recommendations

The FOC has concerns regarding the apparent rising cost of muskie production, which Fisheries personnel are largely attributing to cost increases from the "operations governance" program. Apparently this governance initiative is designed to distribute administrative shared costs directly to programs based on actual and projected use. The average DNR cost per fish for the three-year period 2007, 2008, and 2009 was \$16.95 based on a DNR contracted study, compared to the cost of purchasing fish from private vendors at \$16.02. However, for the FY 2010 game and fish fund report the cost per fish was reported as \$23.08 (\$727,000/35,000 fish stocked) and for FY 2011 \$33.70 per fish (\$674,000/20,000 fish stocked). This would imply that the cost of raising muskies has risen by \$17.68 (DOUBLED) between 2009 and 2011.

- 1. The FOC requests that the DNR provide a thorough, detailed and complete explanation of the cost increase for muskie stocking being reported to the FOC**

The FOC is concerned that the state may be shifting administrative support costs that were previously paid by the general fund or other internal accounts to the game and fish fund. If true, this would result in a budget reduction for the game and fish fund and a loss of benefits to the public.

- 2. The FOC recommends that the DNR review the cost allocation methodology for the “operations governance” program to ensure that the allocation is fair and equitable compared to other DNR programs.**

Policy/Activity Recommendations

The FOC noted that the “Long Range Plan for Muskellunge and Large Northern Pike Management through 2020” was adopted as a final draft in August 2008 and was updated twice, most recently 12/27/2012. The FOC believes that this designation as a draft confuses the public regarding whether there is a real commitment to implement the plan by the DNR.

- 3. The FOC requests that DNR issue this plan as a “final plan” subject to future revisions and updates—not a “draft.”**

The FOC supports the DNR’s efforts to solicit stakeholder input into the development and implementation of the muskie and large northern pike plan through the Esox workshops. The FOC encourages the DNR to continue this consultation to maintain support and solicit input and ideas from the interested public and to further develop partnerships to implement the management plan. However, there have been no “minutes” or formal notes of the meetings.

- 4. The FOC recommends that for future Esox workshops “minutes” be prepared and provided to meeting participants that summarize discussions and include the recommendations of participants and DNR decisions on those recommendations.**

The public may believe that the cost to produce muskies is excessive compared to the cost of producing walleyes for stocking, but these costs are not comparable because there are more intensive production costs to raise a muskie from the fry stage to the fingerling and yearling stage for stocking which improves the survival potential of the trophy muskie population. It is also important for the public to understand that it takes 5 to 6 years for muskies to reach maturity and 15 to 20 years to reach trophy size of 50-inches or larger. There is also a strong need for outreach and education to local communities and constituents with regard to implementation of the Long Range Management Plan. For example, if we are to achieve the goals of expansion of the muskie program to five additional lakes by 2020, and maintain our restoration program a strong community outreach program will be required.

- 5. The FOC recommends that the DNR increase support from its Outreach Division to educate the public with regard to the muskie program.**
- 6. The FOC recommends that the DNR strengthen and accelerate its efforts to create more fishing opportunities for muskies through the partnership with the Minnesota Muskie & Pike Alliance (MMPA) and Muskies, Inc., to implement the “Long Range Plan for Muskellunge and Large Northern Pike.” This could be accomplished by more active involvement with these groups.**

Coldwater Fish Stocking and Management Program

Budget Recommendations

DNR staff has informed the FOC that some areas may have reduced stocking due to the recovery of stream or lake populations in the future.

- 7. The FOC recommends that overall coldwater species stocking efforts and expenditures be maintained and that production and stocking be redirected to stream and inland systems with public use potential still in need of restoration.**

Policy/Activity Recommendations

The FOC commends the DNR for its efforts to improve efficiencies and reduce costs at coldwater hatcheries. For example, efforts at Peterson State Fish Hatchery have reduced electricity use by 80% since 2006 and reduced propane use by 52% since 2004.

The FOC commends the DNR for its actions, working with the U.S. Fish and Wildlife Service and other Great Lakes states, to restore a self-sustaining population of lake trout to Lake Superior. The FOC understands that we are close to the point where we may no longer be stocking lake trout from Minnesota hatcheries.

- 8. The FOC recommends that the DNR initiate outreach efforts to prepare the public for this action and to solicit input for how to best utilize those coldwater production facilities in the future based on existing species management plans.**
- 9. We urge the DNR to assess lake trout harvest levels closely to ensure that the pace of recovery of the wild fishery is not being adversely impact by overharvest.**

The FOC also understands that the French River Hatchery will be evaluated to determine its future. Funds have already been allocated for an outside evaluation of the hatchery and needed renovations and associated costs.

- 10. The FOC supports this review and requests the opportunity to review the results and recommendations and provide comments on the report.**

The FOC also commends the DNR for directing other program funding into the restoration of watersheds and stream improvements that will further benefit the development of coldwater fisheries. However, there are still major constraints with regard to water quality and stream quality to be addressed to develop and sustain high quality fisheries.

- 11. The FOC recommends that the DNR coordinate closely with the MPCA to identify a list of priorities with regard to improvement in water quality of stream systems that have the potential to support high quality coldwater fisheries.**

The FOC supports the expenditures for the repair of the Knife River weir and fish traps. This valuable management tool has and will reduce fish production costs and increases efficiency.

The FOC is very concerned about the potential impact of silica sand mining on coldwater stream fisheries, particularly in southeast Minnesota. There has been a major investment by the game and fish fund in restoration of stream systems in the area and we do not want to see this public investment lost.

- 12. The state and the DNR should take strong positions in favor of a cautious approach regarding silica sand mining to ensure such activity is carried out only in responsible locations and manners where public resources will not be impacted, and permits denied where significant impacts could occur.**

The FOC is also concerned with the impacts to water quality and quantity that have occurred as a result of the increased ditching and tiling of the agricultural landscape without sustainable conservation measures.

- 13. The DNR should increase efforts to work with the Minnesota Pollution Control Agency, Minnesota Board of Water and Soil Resources, Minnesota Department of Agriculture, USDA Farm Service Agency, and Natural Resources Conservation Service to ensure that conservation measures accompany such activities.**

Wildlife Management

The Wildlife Section 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.

Budget Recommendations

With respect to budget, the WOC recommends that the agency:

- 14. Develop a plan of action for sustainable hunting license and dedicated stamp revenue to carry out the mission of the Department effectively related to wildlife resources. Communicate the plan to the BOC by July 1, 2014.**
- 15. Continue to make incremental adjustments to more closely align wildlife revenue with wildlife expenditures (long-term outcome to reduce reliance on hunting revenue to support Fisheries Section activities).**
- 16. Expend the estimated increased federal aid of \$4 to \$6.5 million for reimbursable game and fish management activities on projects and programs that do not require annual appropriations and expenditures since this revenue is likely not to be sustainable over time.**
- 17. Develop a sustainable source of adequate funding for wolf management.**
- 18. Develop a sustainable source of funding for the allowance of hunting on private land across the state (e.g., walk-in or other innovative hunting programs).**
- 19. Develop a method to track users of walk-in or other hunter access programs (e.g., in addition to HIP certification when licenses are sold) and ask a question related to use and frequency of walk-in areas.**
- 20. Identify game and fish fund costs (percent of personnel time, etc.) associated with the major grassland partnership initiative announced by the Commissioner this past year.**

Policy/Activity Recommendations

With respect to policy, the WOC offers the following recommendations:

- 21. Provide leadership to enhance partnerships with conservation interests and the agricultural community to incorporate conservation drainage so that drain collection and conveyance**

systems manage flows to provide wildlife benefits and reduce the transport of sediment and pollutants.

- a. Partner with the Department of Agriculture et al. to increase educational and training programs and appropriate landowner incentives to address drainage system concerns including water quality protection, soil erosion, flood control, and invasive species.
 - b. Assist with giving drainage authorities more tools and resources to implement projects with integrated drainage, flood control, conservation, and water quality benefits.
 - c. Better integrate effects on wetlands and water quality into drainage authority decisions about drainage system work.
 - d. Assist in addressing the legal framework for drainage including gaps and ambiguities. Offer legislative changes necessary so that drainage and conservation goals can be better realized.
22. Continue BOC involvement with the department's biennial budget development, work planning, and related annual activities to meet statutory direction.
 23. Continue fine tuning performance management objectives and outcomes for all Division activities. Evaluate the cost/benefits of wider dissemination by including them on the DNR website or other media so that hunters, anglers, and the public have access to the information to increase their understanding of accomplishments, challenges, and opportunities.
 24. Develop operating standards and desired future condition plans 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. Complete one pilot project in each region by August 2014.
 25. Provide an evaluation in 2015 of the structural changes within the Division of Fish and Wildlife to determine the success of increasing habitat acreage in active management and any savings realized in other areas of the operation from the 2012 organizational changes.
 26. Ensure that grazing on WMAs is limited to achieving specific resource management goals by developing formal monitoring protocols.
 27. Provide regular information through a variety of medium to better inform the public about the projects and activities of the Wildlife Section (make this a priority using existing staff to achieve this goal).
 28. Support current re-evaluation of population goals to increase deer populations in areas with low numbers.
 29. Support giving the department's commissioner authority to manage deer for antler point restrictions or other management strategies to sustain a viable deer herd throughout the state.
 30. Include a list of waterfowl refuges in the annual waterfowl hunting synopsis.
 31. Increase efforts to broker a compromise between trappers and hunters who own hunting dogs to reduce incidence of trap-killed dogs.
 32. Determine viability for continuing the venison donation program on a statewide basis.

Outreach Section

The BOC supports the DNR's decision to add an Outreach category to the FY 2012 game and fish fund report. Outreach and communication with the public, stakeholders, legislators and other agencies and partners is critical for the operation of the DNR fish and wildlife programs. The following recommendations are offered.

Budget Recommendations

- 33. Expand marketing for critical habitat license plates to generate increased revenue without major increases in the license plate fee for the current 107,000 purchasers.**

Policy/Activity Recommendations

- 34. Support continued aggressive efforts to recruit new hunters and retain existing users.**
- 35. The BOC recommends that the next report include information on diversity initiatives and accessibility program expenditures and accomplishments. The FOC also recommends that the DNR consult with stakeholders to review such activities and recommend actions and initiatives to provide greater access.**

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 2.5 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. The following recommendations are offered.

Budget Recommendations

- 36. Provide more detail in the game and fish fund report on the breakout of License Center operations for personnel, supplies, and expenses.**
- 37. Provide a breakout in the game and fish fund report of the individual number of stamps sold in each year to best track trends.**

Policy/Activity Recommendations

- 38. Increase the use of the message board for ELS agents to enhance information, education and orientation of new rules and regulations, other changes, or critical interpretations of policies and procedures.**
- 39. Include license vendors in the development of license structures and annual fishing and hunting regulations.**
- 40. Modify ELS licensing so that hunters or anglers who purchase subsequent licenses have one updated master license that includes all of their endorsements, stamps, etc.**

Ecological and Water Resources

The FOC examined the game and fish fund expenditures for the AIS program. The report notes that \$1,000,000 was reprogrammed from the game and fish fund for FY 2012 and FY 2013 to support AIS activities as part of an overall \$4,500,000 AIS program. The report also indicated that \$917,000 for programmatic expenditures remained after accounting for administrative overhead. This reprogramming reduced the DNR's ability to conduct needed Fishery management activities.

The governor's budget for FY 2014 proposed a new base allocation from the general fund of \$3,750,000 to fund AIS activities. If approved, there will be no funding provided from the game and fish fund in the FY 2014 budget that would allow for restoration of fishery management activities.

Budget Recommendations

The FOC commends the DNR and the governor's office for requesting base funding of \$3.75 million from the general fund for the next biennium. It was stated that there are no current plans to seek funding from the existing game and fish fund in the future for AIS activities provided this funding is obtained. The FOC strongly supports this position, as continued reprogramming of existing funding in the game and fish fund would significantly affect the delivery of quality fishing in the state of Minnesota. The FOC understands that control of AIS is also critical to protect the states fisheries and will continue to support increases for this program from the general fund or other sources.

41. The FOC recommends that no additional full-time employees be added for AIS work to be funded by the game and fish fund pending decisions on the requested increase to protect ongoing fisheries activities from possible future reprogramming.

42. The FOC recommends that the DNR and legislature consider a "user fee" approach to help fund the AIS program. This user fee approach could help supplement or replace general fund or game and fish fund appropriations and would be focused on those activities and users that have the greatest potential to cause the spread of AIS.

Policy/Activity Recommendations

The FOC commends the Enforcement Division for the summary of AIS enforcement activities and Ecological and Water Resources Division for the narrative summaries on the DNR website of efforts to control AIS and prevent its spread. However, these performance indicators relate primarily to outputs and not outcomes. Outputs are actions that are expected to lead to a desired outcome. An example of an AIS output is the number of boats checked or tickets written. Outcomes or endpoints for AIS control relate to effectiveness at stopping the spread of new AIS invasions and the reduction or elimination of AIS from infested waters. That goal or outcome should be reported and tracked to determine the effectiveness of AIS program expenditures.

43. The FOC recommends that Ecological and Water Resources Division develop additional performance indicators that focus on outcomes and use tables and maps to document graphically the spread of AIS. These performance tools can be used to determine effectiveness of the AIS strategy including enforcement and education initiatives and can be used to set future priorities.

The FOC has some concerns regarding the program to involve Lake Service Providers (LSPs) in the AIS program. It is good that there is currently a focus on LSPs but more needs to be done, in the opinion of

the FOC. Educational activities are underway and permits are being issued, but there is some confusion about who needs a permit and what is required. Also it appears to the FOC that there is little to no enforcement with regard to these permits.

44. The FOC recommends that the Ecological and Water Resources Division work with Enforcement Division on a strategy to do selective enforcement of LSPs and to increase educational efforts to identify who needs an AIS permit and what are the requirements.

45. The FOC also urges the DNR to continue to expand the education and prevention program to other activities that are potential sources of movement of AIS including lake owners, marina operations, and bait providers.

The AIS issue is complex and costly. It will be critical to make strategic decisions regarding the placement of enforcement resources and other control and prevention based on the best available science. In addition, it will be critical to set priorities that have the best chance of preventing new infestations or control of existing infestations. Any proposed actions should be fully evaluated with regard to cost and potential effectiveness at prevention or control for best bang for the buck.

46. The BOC recommends that the Ecological and Water Resources Division develop a more comprehensive overall AIS strategic plan and step down operational plans along with cost estimates to present to the governor and legislature for future budgeting purposes. Given the magnitude of the problem, the BOC recommends that a triage approach be developed that places AIS capabilities in the best places to prevent or control infestations.

The DNR is commended for a widespread educational effort to educate the public on AIS.

47. However, the FOC believes that this effort needs to be more strategic in nature aimed at the major sources of invasive species. In addition, the messaging to the public needs to be simplified. For example, for anglers and recreational boaters there are a diversity of signs at launches with complex messaging that might not be read or fully understood. For example, CLEAN/DRAIN/DRY is a simple message that should be posted at every launch site and billboard and used in all written outreach materials.

The FOC is greatly concerned regarding the Asian Carp situation. There is an immediate need to prevent the passage of these fish through the upper locks at St. Anthony Falls. If these carp enter the headwaters of the Mississippi River, it will have a devastating effect on our lakes and rivers connected to this system. It will adversely affect recreational boating, fishing, lake and river property values, and many other related economic values worth millions of dollars.

48. The FOC requests that the State aggressively pursue efforts to close this lock and Lock and Dam No 1 (Ford Dam) as well to protect the fishery and related economic values.

The FOC commends the DNR for supporting the AIS research facility located at the University of Minnesota. This first of its kind initiative holds promise for future breakthroughs in AIS control and prevention.

The current strategy focuses on education and enforcement to both prevent and control the spread of AIS. The FOC commends the focus on partnering with local jurisdictions to assist in the effort.

Enforcement

The Enforcement Division is responsible for all aspects of enforcement of laws related to natural resource protection and use. Oversight review focused on the use of game and fish fund expenditures, which totaled \$20.5 million for FY 2012. A joint meeting with division leaders for the FOC and the WOC was held, given common interests.

Budget Recommendations

The BOC appreciates the clear commitment of Colonel Konrad and the Enforcement Division to protect the integrity of the game and fish fund. Cost codes and coding procedures for game and fish fund expenditures appear adequate to ensure appropriate charging to the game and fish fund by DNR Enforcement. For example, general ATV enforcement not related to hunting and fishing is not charged to the game and fish fund. Future AIS enforcement costs are planned for the general fund not the game and fish fund. The BOC would be concerned if AIS costs were planned for the game and fish fund, as this would potentially reduce fish and wildlife efforts and capability in other priority areas.

A proposal was made to transfer new AIS funding from Ecological and Water Resources Division to the Enforcement Division for enforcement activities.

- 49. The DNR should receive a direct appropriation from the general fund for AIS enforcement to protect the integrity of such funds for enforcement use, rather than using an internal transfer to the Ecological and Water Resources Division.**

It was not clear to the BOC how much game and fish funding is allocated to administrative support costs. The latest overhead cost analysis was done in 2009.

- 50. The DNR should conduct an updated overhead cost analysis that will ensure that the game and fish fund is charged fairly relative to other divisions.**

A significant cost increase will be assessed to the Enforcement Division over the next two budget cycles to cover a funding deficit in the retirement fund due to legislative action requiring automatic cost-of-living-adjustments. According to enforcement personnel, this action will result in a 3% agency contribution increase for the next two biennia and will increase annual costs by approximately \$1,000,000 in FY 2014. At this point, there is no proposal to provide increased funding to the Enforcement Division to cover these costs. This would result in a significant reduction in enforcement capability equal to the loss of 4-5 officers per year that would be compounded in future years.

- 51. The commissioner should request an increase in the department's enforcement budget to meet commitments made to current conservation officer retirements while making adjustments in the employee benefit package and employee contributions for future officers to make the retirement fund sustainable.**

- 52. Overall conservation officer costs should be reduced by continuing to streamline fleet and other areas of operations while maximizing time in the field to reduce the 29% not directed field service hours.**

- 53. The records system needs updating so that it enables readily retrievable data for officer contacts, oral and written warnings, formal complaints, citations, and conviction rates.**

Policy/Activity Recommendations

The Enforcement Division is to be commended for its individual outreach activities. It was indicated that officers provide education and outreach as time permits and they participate extensively in firearms safety training classes. The Division maintains a database of such activities. As an example, over 100 outreach events have been held and over 40,000 individuals have been reached with such efforts in 2012.

54. Officers should be encouraged to expand efforts to inform and educate citizens of game and fish laws and regulations and be recognized or rewarded for their efforts through commendations or other appropriate employee recognition mechanisms.

55. DNR outreach specialists should work with the Enforcement Division to develop outreach programs and provide training, materials, and support to officers in the field to conduct outreach activities that are aimed at educating the public to prevent violations.

The BOC has concerns regarding the lack of enforcement action with regard to AIS permits for lake service providers (LSPs). Such activities now require permits and enforcement efforts are needed to ensure full compliance. It is also not clear about who is required to obtain such permits and what specifically is required.

56. The Enforcement Division should work with the Ecological and Water Resources Division to clarify LSP requirements and expand its outreach program to educate LSPs regarding permit requirements and best practices and begin enforcing LSP permit conditions.

Other policy/activity recommendations:

57. Research alternatives for conducting a survey to assist in determining compliance rates of angling and wildlife regulations and update the BOC in 2015.

58. Provide separate numbers for outreach efforts by the Enforcement Division in future game and fish Fund reports.

59. Modify tags for big game animals and turkeys to protect privacy of individual hunters.

60. Provide an update on the Division strategic plan mapping out goals, objectives, and strategies for the future, including outreach and diversity.

Forestry

The Division of Forestry administers 3.9 million acres of state forest lands. In addition, they provide timber sale management services on about 600,000 acres of other state lands. Typical annual harvest on state wildlife management areas is +/- 40,000 acres. Forestry's game and fish expenditures focus on completing the ecological classification system (ECS) and control of invasive species.

Budget Recommendations

61. Reduce overhead for managing commercial harvest on WMAs for wildlife habitat management to reduce game and fish fund reimbursement costs or seek additional federal reimbursements to offset those costs.

- 62. Continue to seek additional funds to supplement game and fish fund allocations for the invasive species program that is critical for protecting forest habitat.**

Policy/Activity Recommendations

In spite of the downturn in the forest products industry, continue to provide forest management for game species in northern forests through other strategies.

- 63. Monitor compliance with access and development easements on +/- 91,000 acres of forest legacy lands to ensure benefits are maintained for hunting and trapping.**

Lands and Minerals

The Lands and Minerals Division manages real estate transactions on 5.7 million acres of state land and 12 million acres of state mineral rights. This division is responsible for land surveys and managing real estate transactions on game and fish lands. This part of the report presents a synthesis of reviews by the FOC and the WOC.

Budget Recommendations

The BOC understands that as of July 1, 2013, the Lands and Minerals Division will no longer have a game and fish fund appropriation and will be paying salaries and associated staff costs from three primary sources: professional services billing, funding received from other divisions under service level agreements, and the fees received for utility licenses and road easements. In light of this change, the BOC seeks to develop a better understanding of how the new funding sources for the division may relate to or affect the game and fish fund going forward.

- 64. The BOC requests that the Lands and Minerals Division provide the FOC with a description of the process to ensure accurate cost coding to specific projects along with a description of how costs are determined.**
- 65. The BOC encourages the DNR to 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.**

Policy/Activity Recommendations

The BOC has concerns over how long the process takes to obtain easements and acquire lands. The BOC commends the Lands and Minerals Division for its recent efforts to improve the efficiency and timeliness of land protection activities. For example, the effort to re-engineer the Lands Record System and the acquisition process holds the promise of improving program delivery and speeding acquisition actions.

- 66. The BOC requests that the Lands and Minerals Division continue to monitor proposed improvements. We request that division staff brief the BOC next year on its efforts and provide periodic progress reports on acquisitions funded by the game and fish fund, as well as other sources such as the Outdoor Heritage Fund and federal sources.**

An issue was identified where Lands and Minerals staff expressed some concern regarding prioritization of acquisition actions between DNR divisions. The criteria and priorities are clear within divisions, but Lands and Minerals staff indicated that they would benefit from guidance on how to set priorities between divisions.

67. The BOC recommends that the DNR develop a process to inform the Lands and Minerals Division of overall DNR acquisition priorities between divisions.

Other recommendations:

68. Support department efforts to improve the land acquisition process and recommend not allowing the Lands and Minerals Division to invoice other divisions for services until all phases of the land acquisition process improvement project are completed (target date is July 1, 2014).

69. Develop standards so that land acquisition, surveying, and related work can be completed within a timeframe that is commensurate with private and non-profit real estate transactions.

Parks and Trails

The BOC continued to examine the use of game and fish fund and water recreation account expenditures for boating and fishing access by the Parks and Trails Division. The FOC's FY 2011 report outlined a number of concerns regarding large unobligated balances and improvements needed in internal financial controls and planning process. The BOC requested a follow up meeting with Parks and Trails officials to follow up on the FOC's FY 2011 recommendations and the FY 2012 report. The BOC thanks the recently appointed Boating and Water Safety Manager Stan Linnell and his staff for their responsiveness in working to address FOC concerns.

Budget Recommendations

The BOC compliments Parks and Trails staff for their responsiveness to take and plan actions to reduce the \$5.6 million unobligated balance of federal grant funds reported in FY 2011 to an estimated \$231,148 in 2013. This includes both actual and planned expenditures. With estimated new federal funding for 2013 of \$1,753,833 this will result in a working balance of approximately \$1,984,980, which the FOC considers appropriate.

70. The BOC requests the DNR to provide a summary report of expenditures and balances for both the game and fish fund (including federal funds) and the water recreation account during the next FOC cycle in 2013 to review continued progress. The BOC requests information on the water recreation account because funding is combined with game and fish fund funds for water access projects.

Despite the actual and planned expenditures, however, the BOC finds the expenditure rate for FY 2012 disappointing. The FY 2012 Game and Fish Fund Report documents a total of \$1,080,000 spent with only \$111,000 of federal grant funds spent (\$15,000 on land acquisition and \$96,000 on boat ramp planks). The Parks and Trails Division receives over \$2,000,000 in federal funds for boating access acquisition and development each year. Staff explained that this low rate of expenditure was due in part to the lengthy process for acquisition and construction projects and that with a two-year state budget it was not unusual to spend most of the appropriated funding for such projects in the second year. They were confident that the spending plan for FY 2013 would reach projected levels.

71. The BOC requests that Parks and Trails work with the Lands and Minerals Division to modify the planning and execution process to spread expenditures out for access projects to avoid carrying forward large unexpended balances in alternate years.

The FOC was informed that federal funds are used primarily for acquisition projects, which have a long lead-time for completion.

- 72. The BOC recommends that Parks and Trails consider using federal funds for additional development or maintenance projects to help reduce carry over balances in future years, if necessary.**

The BOC supports Parks and Trails commitment to review cost coding procedures to ensure that costs are being coded to the right funding sources.

- 73. A response to the BOC outlining the results of this review and subsequent changes in coding procedures is requested.**

The BOC supports Parks and Trails commitment to improve the game and fish fund report for FY 2013 by including more summary financial information on income and expenditures and highlights of program accomplishments for federal grant funds and the water recreation account.

Policy/Activity Recommendations

The BOC supports Parks and Trails commitment to revise and complete a strategic plan for boating access projects, with public participation, that will help support an adequate rate of game and fish fund expenditures for the highest priority projects in the future.

- 74. The BOC requests a response on progress on the strategic plan and associated operational plans as part of the 2013 game and fish fund report.**
- 75. The FOC recommends that Parks and Trails have an employee succession plan to ensure ongoing and appropriate accountability and compliance with state and federal requirements.**
- 76. The FOC also recommends that Parks and Trails Division develop a stakeholder advisory group on boating and fishing access that can review programs and provide recommendations and advocacy. Such a group should include representatives from organizations that can represent anglers with disabilities.**

Operations Support

A new Division of Operations Support provides administrative support for Department 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.

Budget Recommendations

- 77. Develop budget options for operations support consistent with Division requirements of cost control strategies.**
- 78. Include Regional and Commissioner's office in any budget scenarios for reductions or enhancements.**

Policy Recommendations

- 79. Provide greater transparency of the total governance model costs (Division of Operations Support billing for overhead and administration) for shared services that come out of the game and fish fund. List as a separate item in future game and fish fund reports.**

Game and Fish Dedicated Accounts

The game and fish fund includes a number of dedicated accounts that have been created by legislative action over a period of time. The funds in each dedicated account may only be spent on activities authorized by the enabling legislation or subsequent amendments. The following paragraphs outline the BOC's review and recommendations related to the dedicated accounts.

Deer and Bear Management; Computerized Licensing Account

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. More than three million transactions are processed through the electronic licensing system with 99% of those coming from sales agents. Total spending authorization of \$1.7 million.

Budget Recommendations

- 80. Since no expenditures were needed for computerized licensing in FY 2012 from this account, evaluate the need to maintain that portion of this account.**

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

This account is funded by \$2 from the sale of each deer license and \$2 from validated lifetime deer licenses for deer habitat improvement or management. Some of the activities include habitat evaluation, data management, prescribed burns, forest openings, census and surveys, season management, animal population research, personnel and support costs. Fifty cents from each license goes into an emergency deer feeding and cervid health management account.

Policy/Activity Recommendations

- 81. Maintain deer population within goal in 78% of deer permit areas and adjust goals per current stakeholder input meetings.**
- 82. Effectively manage terrestrial invasive species through increased forest management efforts where needed to provide control on state land and prevent encroachment into adjacent private or public land.**

Waterfowl Habitat Improvement Account

This account is funded through a \$7.50 annual stamp/validation 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.

Budget Recommendations

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

Policy/Activity Recommendations

84. Continue recruitment and retention efforts to reach a goal of 110,000 annual licensed hunters. Current estimate is +/- 90,000 participants.
85. Support a restoration target of 40,000 acres annually through partnership efforts. This number is an ambitious target of the Department conservation agenda as well as a BOC recommendation in 2010.
86. Establish 14,000 acres of seasonal wetlands using moist soil management techniques. The Department conservation goal is 12,000 acres with some stakeholders desiring a much higher target.
87. Enhance 1,800 shallow lakes for waterfowl migration habitat. This is a long-term goal first recommended by the BOC in 2010.
88. Increase Minnesota's Mississippi Flyway harvest share to 1970 levels of one in six. This is an ambitious target of the current Department conservation agenda.

Trout and Salmon Management Account

This account is funded through a \$10.00 annual stamp/validation that is required of anyone 18 years and older who fish for trout and salmon in state lakes and streams. Ninety percent of the revenue from the sale of the stamp is credited to the dedicated account. Expenditures must be used for work related to identification and acquisition of easements and fee title interests along trout waters; rearing and stocking of trout and salmon; improvement and maintenance of coldwater habitat, and coldwater related research. See previous Fish Management topic for related information and recommendations.

Pheasant Habitat Improvement Account

This account is funded through a \$7.50 annual habitat stamp/validation 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.

Budget Recommendations

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

Policy/Activity Recommendations

90. Achieve an annual harvest of 500,000 ringnecks per year. The department target harvest is 450,000. Pheasants Forever supports a long range target of 750,000 which would require 6 million acres of grasslands. Admittedly, winter severity and weather during nesting season are beyond control.
91. Continue to place a priority on the partnership with BWSR to continue technical support to landowners and their participation in federal Farm Bill Conservation Programs.
92. 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 9-square mile block.

93. Provide for a sustainable funding source for the Walk-in or other innovative hunter access programs.

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.

Policy/Activity Recommendations

94. Continue to foster wild rice productivity by partnering with Ducks Unlimited to control negative impacts of beaver impounded wild rice areas.
95. Develop a strategy to increase the number of lakes managed for wild rice from the current 300.
96. 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.

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.

Policy/Activity Recommendations

97. Continue to acquire the highest priority WMA lands 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. This target is the same as the department conservation agenda target with expected Lessard-Sams Outdoor Heritage funding and is critically important as more marginal land is converted to row crops.

Wild Turkey Management Account

This account is funded through \$4.50 of each adult turkey license. Money from this 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. Spring turkey zone boundaries were simplified and the total number of zones reduced to nine in 2012. In addition, the department instituted a BOC recommendation to offer unlimited over-the-counter licenses the last two time periods and unlimited over-the-counter licenses for archery hunters for the last time periods.

Policy/Activity Recommendations

98. Conduct a survey in 2015 to determine hunter satisfaction with newly created turkey zones.

- 99. Enhance information provided to private landowners to maximize wild turkey productivity as recommended by the BOC in 2010.**

Heritage Enhancement Account

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

Budget Recommendations

- 100. Conduct an audit to ensure that 87% of this fund is spent in the field.**

Policy/Activity Recommendations

- 101. Continue the highly successful Archery-in-the-Schools program.**
- 102. Support continuing aggressive efforts by the department and conservation organization partners to fund strategies that increase hunter recruitment and retention especially related to youth involvement.**

Lifetime Fish and Wildlife Trust Fund

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

Walleye Stamp Account

This account is funded through a voluntary \$5.00 stamp/validation. Expenditures from the game and fish fund appeared to be in keeping with statutory requirements and sound management practices. See previous Fish Management topic for related information and recommendations.

During the next annual review cycle the FOC plans to do a more in-depth review of game and fish fund expenditures for walleye production and management and the use of the walleye stamp fund. A special emphasis will be placed on a review of the DNR's response to the Mille Lacs Lake walleye decline and actions funded through the game and fish fund to reverse the decline of this premier fishery.

Emerging/Other Issues

Enforcement Diversity Training Initiative Comments/Recommendations

This topic emerged in response to a legislative briefing during the session. The Enforcement Division is to be commended for recent initiatives to hire diverse officers (including minorities and women) and to reach out to related communities to increase the diversity of the division. It is important that enforcement officers and the DNR as a whole reflect the demographic makeup of the state.

However, the BOC has concerns regarding the new budget initiative proposed for 2014 to provide both tuition support and a “living wage” to trainees without any prior law enforcement or fish and wildlife experience for the purpose of increasing diversity of the Department for under-represented groups. The BOC understands the legislature appropriated \$187,000 from the Game and Fish Fund for this program at the request of the DNR.

The BOC believes that this initiative will reduce funding available for fish and wildlife conservation and management activities prescribed by law for use of these funds. The BOC strongly supports DNR’s efforts to recruit the best-qualified applicants for its Fish and Wildlife conservation and management programs through existing merit-based procedures and strongly supports ongoing efforts to increase diversity of the Department. However, the recent effort to obtain a license increase was for the purpose of restoring lost capability for fish and wildlife management and conservation activities. The proposed increased funding for the new diversity training program will reduce the ability to restore this capability and would not be consistent with the stated need for the increase.

- 103. The BOC recommends that the DNR continue to recruit qualified diverse candidates through existing recruitment mechanisms for activities funded by the game and fish fund and not use game and fish fund sources for the new diversity initiative training program. If the DNR is determined to proceed with the proposed subsidized training program for diverse candidates then the cost should be reimbursed by other funding sources such as the general fund.**
- 104. The program should be expanded to the entire department and general fund dollars should be requested to accomplish the personnel objective of having employees more closely matching percentages of the diversity profile of the Minnesota population.**
- 105. The BOC requests that the DNR outline what impacts this funding will have on current and projected enforcement needs for fish and wildlife enforcement activities.**
- 106. The DNR should also develop a retention policy and agreements for trainees that will ensure a return on investment such as a 4-5 year commitment to the DNR.**
- 107. The program should also be structured to favor applicants with prior law enforcement experience and/or training and individuals with hunting and fishing backgrounds and demonstrated interest in fish and wildlife.**

The BOC is concerned that the proposed program may constitute a formal “diversion” from the legislated purposes of the game and fish fund -- both state hunting and fishing license sources and federal grant-in-aid sources. These dedicated funds have strict requirements that are designed to keep them “dedicated” to the specific intended purposes of supporting fish and wildlife management and conservation that will support hunters and anglers that buy licenses and pay the federal excise tax. The

BOC is concerned that the DNR's program may violate state and federal law regarding the use of these dedicated funds.

108. The BOC recommends that the DNR obtain formal legal opinions from the Attorney General and the U.S. Fish and Wildlife Service on whether such use would constitute a "diversion" and therefore disqualify the state from receiving federal funding or violate state law regarding the use of license funding.