

**Response from Minnesota Department of
Natural Resources to the
Citizen Oversight Report on Game and Fish
Fund Expenditures Fiscal Year 2004**

January 2006

FISHERIES OPERATIONS SUBCOMMITTEE REPORT

Fiscal Issues

Cost of the administrative reorganization of Fisheries & Wildlife

Proposed Solution: *The subcommittee feels strongly that this increase in administrative cost [that does not directly impact the habit and its fish stocks] needs to be fully assessed for financial accountability and bang for the buck.*

DNR response: We believe the changes made allow for expanded capabilities for handling issues and, in the end, producing efficiencies, communications, and education that will further our mission of conservation stewardship. The DNR will continue to work with the committee to provide clarity on financial issues.

Unknown cost of managing Minnesota's most expensive fisheries

Proposed Solution: *The subcommittee is requesting a financial accounting of the total cost of managing each of our state's 5 or 6 most expensive lakes. The hope is to gain a better understanding of the costs involved and to determine if expenditures are delivering a cost benefit equal to the dollars spent.*

DNR response: The DNR will do this analysis.

Cost of managing fishing tournaments subsidized by the Game and Fish Fund.

Proposed Solution: *This cost should be born by the tournament organizers and the anglers that fish tournaments. An economic assessment of DNR effort and costs should occur; and a fee structure should be imposed to recover the needed expenditures. The individuals making money off the states aquatic natural resource should pay their management costs.*

DNR response: By Minn. Stat. § 97A.081 these permits are to be issued for no charge. The DNR will provide to the committee costs incurred by the agency to permit fishing tournaments and discuss their recommendations to recover these costs via a tournament fee.

Increased costs of walleye stocking and impact on other species' management

Proposed Solution: *We would like an assessment done that "measures for each additional \$100,000 dollars spent on walleye stocking, how many fish enter the creel". We would also like an assessment done that measures at what point does over stocking a lake with walleye impact other species [i.e., crappie, etc.].*

DNR response: We will provide the information we have on the referenced requests and discuss that information with the subcommittee.

Rising treaty management costs

Proposed Solution: *As treaty management efforts become standardized, these costs should decrease – not continue to increase. The department should make every effort to cut costs. We would like to see these activities audited and justified. The legislature should then fund from General Fund dollars 50% of these expenditures.*

DNR response: The DNR is making efforts to stabilize costs. The need to develop population and hooking mortality estimates for northern pike and walleye are important not only to Mille Lacs, but to management efforts on other waters. We will discuss with the committee expenditures to date and anticipated future costs. We agree treaty costs should not be borne by the Game and Fish Fund.

Policy Issues

Continued loss of shoreline and littoral habitat

Proposed solution: *The modified plan should have "not losing more emergent vegetation" as a goal. On those bodies of water that have lost nearly all their emergent macrophytes, the goal should be to "gain them". We would like to see a detailed plan emerge over the next year that takes these two goals into account.*

DNR response: The DNR will be revising aquatic plant management rules and is reviewing shoreland rules in the North Central Lakes Pilot Project (as part of the Governor's Clean Water Initiative). A budget initiative for a lakes coordinator position was approved last session and this position will work with staff and stakeholders on the issues you reference.

Increase of boat license fee

Proposed solution: *The DNR should lay out a timetable and plan emphasizing what % of older accesses will be upgraded.*

DNR response: The 2005 Legislature raised boating license revenue by \$1.6 million in FY 2006 and \$1.9 million in FY07. The DNR has plans to use a significant portion of the increase for access upgrades. We suggest inviting staff from Trails and Waterways to attend a subcommittee meeting to discuss how current priorities are set and to discuss the subcommittee's recommendation.

Bag limits review must be based on good fisheries science

Proposed solution: *This committee thinks Fisheries should reconvene the bag limits committee and revisit this topic. Special emphasis should be placed on specific troubled waters.*

DNR response: We suggest that the issue be discussed at the January Fisheries Roundtable. The subcommittee may wish to work with the DNR to present this and other issues at the 2006 Fishing Roundtable.

TROUT & SALMON STAMP SUBCOMMITTEE REPORT

Fiscal Issues

Correction to Categorical Expenses Reported in the FY04 Game and Fish Fund Report

Proposed Solution: *The total expenditures for Habitat Improvement, as listed, were \$179,041.05, and deducting the EA&I (\$8,004.88) and LS (\$1,958.44) items gives a total expenditure of \$169,077.73.*

DNR response: While preparing a detailed report of the FY 2004 expenditures of the Trout and Salmon Stamp fund, it was discovered that two expenditures listed under Habitat Improvement were placed in the wrong category in the Game and Fish Fund Report FY 2004. The expenditure for \$8,004.88 should have been listed in Easement acquisition and identification and the other item for \$1,958.44 should have been listed under Lake Superior. This was reported to the Trout and Salmon Stamp oversight subcommittee to explain why the subtotals in the two reports did not match.

Roll Forward Revenues

Proposed Solution: *The TSSC recommends a guideline of Roll Forward expenditures being less than 10% of the annual appropriation.*

DNR response: Ten percent is a reasonable guideline for roll forward funds. In FY04, \$72,099 in Trout and Salmon Stamp Funds were carried forward to FY 2005, or 7% of the total allotment.

Policy Issues

Lake Superior Cormorant Control

Proposed Solution: *The DNR should implement a policy of cormorant control on Lake Superior consistent with the Public Resource Depredation Order allowing the USDA Wildlife Services the ability to control, including lethal control, breeding colonies of cormorants causing damage to natural resources, threatened or endangered species, and impacting recreational fisheries on public waters.*

DNR response: The DNR recognizes that there are instances where increasing populations of cormorants may have a significant impact on public resources, including recreational fisheries and uncommon colonial waterbirds. Cormorants are unprotected under Minnesota Statute (§ 97A.015, Subd. 52), but are protected under an amendment to the federal Migratory Bird Treaty Act (50 Stat. 1311, T.S. No. 912.) In 2004, three cormorant colonies were documented along Minnesota's Lake Superior shoreline. Under the provisions of the Public Resource Depredation Order (50 CFR 21.48), the DNR cannot implement cormorant control measures unless it has secured the permission of the landowner. The Knife Island Colony, which has attracted the most attention, is on land owned by Lake County. The DNR will initiate a dialogue with the county and other interested stakeholders, including recreational fishing and bird conservation groups about the colony's impacts on the Lake Superior fishing and any potential management concerns.

Thermal Impacts of Storm Water

Proposed Solution: *DNR to add \$50,000 to help support the development of a model by the University of Minnesota St. Anthony Hydraulics Lab on thermal impacts of storm water.*

DNR response: In FY 2005, the DNR purchased \$15,000 of equipment for this project. In addition to the funding contribution, DNR is working with the University of Minnesota's St. Anthony Hydraulics Lab on the data collection needed for the model. DNR is also contributing \$30,000 toward the development of a storm water management planning manual.

ATV Use on the North Shore Trail

Proposed Solution: *Prohibit ATV use of the North Shore Trail.*

DNR response: In the 2005 legislative session, the DNR was mandated to complete a feasibility study of the North Shore ATV trail by March 1, 2006. In a July 30, 2004, letter to the North Shore ATV Club Commissioner Merriam stated that before allowing ATV use on the trail "... further evaluation is needed to determine whether all-terrain vehicles should be allowed on the trail." Copies of this letter will be sent to the BOC members and the Trout and Salmon Stamp oversight subcommittee members.

Point in cover letterResource protection and access

Proposed Solution: *The Subcommittee is looking toward a more holistic, proactive and futuristic approach at the watershed level to protect Minnesota's coldwater resources and to make all trout waters in Minnesota accessible to anglers.*

DNR response: The DNR agrees with the above recommendation. A Strategic Plan and a Long-Range Plan for southeast Minnesota trout streams were completed in 2003. The Fisheries Management Plan for the Minnesota Waters of Lake Superior is being updated and should be completed in 2006. Angling access on trout waters is a high priority for the DNR. In FY 2003 and FY 2004, over 20 miles of easements were purchased on trout streams statewide, bringing the total to 590 miles. Angling access is a high priority for the DNR and the Trout and Salmon Stamp oversight subcommittee is encouraged to support legislation that provides funds for purchasing easements.

WILDLIFE OPERATIONS SUBCOMMITTEE REPORT

Financial Controls

Assure that fishermen pay for fisheries and hunters pay for wildlife

Proposed Solution: *The Director of the Division of Fish and Wildlife should be assigned the responsibility for assuring that all expenditures from the Game and Fish Fund by other DNR Divisions are supported by appropriate documentation. In addition, the Chief of Fisheries and the Chief of Wildlife should be responsible for assuring that the allocation of funds to their respective Sections is appropriate.*

DNR response: We concur that all expenditures, department-wide, need to meet standards of fiscal integrity.

However, we believe the responsibility of ensuring fiscal integrity, conducting analysis and auditing of the Game and Fish Fund lies in the Office of Management and Budget Services. An ad hoc committee comprised of three BOC members was created to review revenues and expenditures between fisheries and wildlife programs. We produced an analysis for this committee that included an assessment of the issue and a set of proposed solutions. We will include this analysis of revenues and expenditures in future annual Game and Fish Fund reports.

FY 2004 Game and Fish Fund Report

Heritage Enhancement Account receipts

Proposed Solution: *To improve financial reporting and better reflect the nature of Heritage Enhancement Account receipts we recommend that the Game and Fish Fund Report treat these receipts as a transfer from the General Fund consistent with the State's audited financial statements.*

DNR response: Pursuant to Minn. Stat. § 297A.94 the Department of Finance (DOF) reports Heritage Enhancement (Heritage) receipts as revenue into the Game and Fish Fund.

Cumbersome detailed accounting for expenditures from revenue derived from the sale of natural resources

Proposed Solution: *We continue to recommend detailed accounting but are satisfied that a change to the use of regional organizational codes will provide necessary accountability while easing administrative burden.*

DNR response: For FY 2006, DNR has established unique organization cost codes from which these funds will be spent so that detailed accounting will be available.

Fiscal/Policy Issues

Funding for new Con-Con WMAs

Proposed Solution: *The Subcommittee recommends that \$250,000 per year be designated from the Resource Revenue appropriation beginning in FY 2006 to address this situation. In FY 2005 \$100,000 was used from the Resource Revenue appropriation for these costs; the additional \$150,000 in FY 2006 could come from reductions to special projects (\$50,000) and allocations to regions (\$100,000).*

DNR response: DNR has made significant progress in completing boundary surveys for Con-Con lands acquired as WMAs in the northwest and has determined that the need for future surveys has been greatly reduced. DNR will allocate \$100,000 to complete these surveys in FY 2006 and reassess any future need for FY 2007.

Under-funding of WMA habitat management and land acquisitions

Proposed Solution: *If the DNR is serious about improving WMA habitat and expanding WMA acreage a reliable funding source must be established.*

DNR response: Pursuant to a DNR request and Governor's recommendation, the 2005 Legislature provided \$10 million in bonding funds for WMA acquisition, \$600,000 per year in Heritage funds for a comprehensive prairie/wetland complex initiative, and increased the Small Game Surcharge appropriation to fully utilize funds that had accrued in that account. DNR has proposed a \$20 million WMA acquisition bonding initiative for the 2006 legislative session, and will continue our work with the Budget Oversight Committee and other concerned citizens to secure new sources of dedicated funding and other state and federal funds for WMA acquisition and development.

BIG GAME SUBCOMMITTEE REPORT

Fiscal Issues

Emergency Deer Feeding/Wild Cervid Health Management account

Proposed Solution: *We recommend that the DNR review the interpretation of statutory appropriation language for this account. Whether through re-interpretation of current statute or a clarification of statute by additional legislative action, we recommend the full \$3.50 appropriation from deer licenses be deposited into the dedicated accounts.*

DNR response: The DNR believes that current practice is consistent with statutory language. However, we agree the language is ambiguous and will be proposing language which will clarify that an additional \$0.50 shall be deposited.

More information in the expenditures report on licenses sold

Proposed Solution: *In the future, we would recommend stating the total licenses sold and the appropriate dollar amount stated for each account (i.e., at 10,000 licenses sold, \$1.00 appropriated per license = \$10,000).*

DNR response: Based on the above, deer license sales would be apportioned into 5 accounts: 1) Deer Management Account, 2) Deer/Bear/Computerized Licensing, 3) Emergency Deer Feeding/Cervid Health Management, 4) ELS Fee, and 5) Game and Fish Fund. A table will be distributed annually to the Big Game Subcommittee that breaks out the amount for each license type and shows how the funds are distributed.

PHEASANT STAMP SUBCOMMITTEE REPORT

Fiscal/Policy Issues

Statutory authority over fund balance

Proposed Solution: *The PSOC recommends that the DNR continue to seek statutory authority over the funds in the PHIP account and use these funds in programs that are consistent with the Long Range Pheasant Plan. The PSOC also recommends that most of the current fund balance become part of the next two biennium budgets.*

DNR response: We proposed to the 2005 legislature that PHIP funds be provided as a statutory appropriation, but it was not approved. However, at the DNR's request, the Legislature did increase appropriations to fully expend the balance in the PHIP account by the end of FY 2009. The annual increase is approximately \$345,000 and will be used to increase habitat work on public and private lands, accelerate Farm Bill promotion efforts in Washington, and support winter habitat research.

Align PHIP account budget with plan

Proposed Solution: *The PHIP account budget should be aligned to support the tactics and strategies that have the greatest impact on the success of the Long Range Pheasant Plan.*

DNR response: PHIP funds are used for a variety of activities that are consistent with the overall goals of the Long Range Pheasant Plan. Over the next year we will conduct an evaluation of our progress in implementing the Long Range Pheasant Plan. We will use this evaluation to help determine priorities for future spending. We look forward to working with the PSOC on this effort.

License fee increase

Proposed Solution: *The PSOC recommends that the DNR continue to study the idea of another license fee increase and begin the process of educating the public on the need for additional funds to achieve the goals of the long-range plan.*

DNR response: The DNR has in the past supported a Pheasant Stamp fee of \$10.00. However, in order to give the BOC the opportunity to examine restructuring the Small Game License, we decreased our request to the 2003 Legislature for a fee increase from \$10.00 to \$7.50. If restructuring the Small Game License is no longer being considered by the BOC, we agree that an additional stamp fee increase should be considered.

Other recommendations

The PSOC made other recommendations regarding tactics and strategies that they would like DNR to consider. DNR staff looks forward to working with the PSOC regarding the recommendations.

TURKEY STAMP SUBCOMMITTEE REPORT

Policy Issues

The Turkey Stamp Subcommittee has made recommendations regarding tactics and strategies that they would like DNR to consider. DNR staff looks forward to working with the subcommittee regarding the recommendations.

WATERFOWL STAMP SUBCOMMITTEE REPORT

FY 2004 Game and Fish Fund Report Content

Cost reporting categories

Proposed Solution: *The nine (9) cost reporting categories provided to the subcommittee members should be substituted for the five (5) now reported in the GFF report. These revised cost reporting categories will provide the Subcommittee and other interested parties, with a better understanding of expenditures than is provided by the broad categories that are currently listed in the GFF.*

DNR response: The five categories currently used directly reflect the statutory language describing appropriate expenditures from the fund. We will provide a summary of the nine cost code categories within the framework of the five statutory categories as well.

Wetland habitat project data

Proposed Solution: *The subcommittee would like to have made available to it a list of the number of projects and the location of each project, under each subcategory of Wetland Habitat Management.*

DNR response: Activity cost code information is generally not available by specific project or location, except for large projects that are funded as statewide priorities. We will provide the subcommittee with a summary of these larger projects that have specific information available, and a list of other completed waterfowl habitat development projects and shallow lakes that have been surveyed or proposed for management.

Annual work activities

Proposed Solution: *The Waterfowl Subcommittee would like to have available to it a "high-level," one page summary of the previous FY work activities for each of these positions that references specific wetland project locations and accomplishments (such as WMA or shallow lakes which were assessed, restored, or enhanced and indicate the name and location of each).*

DNR response: One-page staff activity summaries were provided this year at the subcommittee's request for each of the two full-time positions funded by the Waterfowl Stamp. It is our understanding that the summaries provided were sufficient. The additional level of detail requested here would exceed the one-page limit. Beginning July 1, 2005, activities rather than specific positions will be directly tied to waterfowl stamp funding, so activity summaries tied to individual positions will no longer be possible.

Priorities/Policy Issues

More emphasis on wetland habitat management

Proposed Solution: *The Waterfowl Subcommittee recommends the establishment of a minimum target level of expenditures for wetland habitat management, of 60% of total annual expenditures. Additionally the Subcommittee recommends an emphasis on expenditures that develop or manage waterfowl migration habitat.*

DNR response: The vast majority of funding for wetland habitat development comes from sources other than the state waterfowl stamp. For example, stamp receipts only funded 16% of wetland habitat management accomplishments in FY 2004. Statutory language allows stamp expenditures for many other important waterfowl management activities including habitat evaluation, nesting cover, migratory waterfowl management, and habitat preservation. These activities are critical to management of waterfowl and waterfowl habitat, and alternate funding sources are not as available for these activities as for habitat management. In FY 2004, 33% of the waterfowl stamp expenditures were spent on the specific category of wetland habitat management. Other categories directly related to waterfowl habitat management, including shallow lake assessment, technical guidance, waterfowl food plots, grassland management, and acquisition of water management structure sites, accounts for an additional 32.5%. We will continue to work with the sub-committee to agree on an appropriate level of wetland habitat funding from the waterfowl stamp.

Long range plan for ducks in Minnesota

Proposed Solution: *Finalize a comprehensive plan that includes measurable habitat objectives, print, and distribute it to field managers with habitat objectives to be implemented in order to meet the goals. Such a plan can then be compared with results and be evaluated by stakeholders, including this subcommittee.*

DNR response: This recommendation supports our current approach to link long-range planning with biennial operations. Priorities and accomplishments reflect existing plans such as *Restoring Minnesota's Wetland and Waterfowl Hunting Heritage* and the accompanying two operational plans. The schedule for completion of the new long-range duck plan is December 2005. We expect the new plan to also foster development of two-year operational plans that will highlight priorities and work accomplishments.

ECOLOGICAL SERVICES SUBCOMMITTEE REPORT

FY04 Game & Fish Fund Report

Operational support costs

Proposed Solution: *As the Department embarks on an effort to provide more consistency in reporting in preparation for the FY05 expenditure report, staff should examine how they can more consistently define and report on operational expenses.*

DNR response: The DNR agrees that a consistent definition of operational expenses would help in evaluating Game and Fish Fund expenditures. This recommendation will be incorporated into the standard format that staff are preparing for the FY 2005 Game and Fish Fund expenditure report.

Lottery revenues

Proposed Solution: *Add to the annual Game and Fish Fund Expenditure report a historical comparison of annual expenditures to annual lottery revenues to serve as an educational reminder to stakeholders.*

DNR response: The DNR added information on lottery revenues to the FY 2005 Game and Fish Fund expenditure report.

Policy Issues

Funding support for Project WILD

Solution: *Utilize Game and Fish Fund dollars to fund Project WILD.*

DNR response: The DNR agrees that Game and Fish Fund dollars should help to support wildlife education, particularly when hunting and trapping are part of the curriculum. The DNR will examine the issue further and have a recommendation for the FY 2008-09 biennium.

Funding for managing terrestrial invasive species on state lands

Solution: *Determine funding needs for terrestrial invasives management and consider new dedicated funding sources, such as a surcharge on some vehicle registrations.*

DNR response: The DNR agrees that the lack of dedicated funding for management and control of terrestrial invasive species is a significant issue. The DNR will need to discuss this further with stakeholders and potentially affected constituent groups before determining what funding mechanism to propose.

Lake mapping program

Proposed Solution: *Provide additional Game & Fish Fund support to this important program.*

DNR response: The lake mapping program was supported with Game and Fish Fund dollars through FY03. However, the DNR identified it as a program cut if the Division of Ecological Services did not receive any of the revenues resulting from hunting and fishing license fee increases in 1998 and 2000. The legislature did not appropriate any of the fee increase those years to the Division of Ecological Services so the program was cut, except for occasional limited work that is done to meet special needs. The DNR would consider bringing this program back if additional Game and Fish Fund dollars were available, but does not want to fund it at the expense of other priorities.

ENFORCEMENT, SUPPORT SERVICES, AND ADMINISTRATION SUBCOMMITTEE REPORT

Fiscal Issues

Allocation of operations support costs to programs

Recommendation: *We concur with the intent of the pending legislation since these support and administration expenditures primarily serve the activities of other units. The cost allocation method (if adopted) should be reviewed for fairness and receive adequate oversight review.*

DNR response: The DNR received legislative authority to redirect the direct appropriations of its Management Resources and Human Resources bureaus from the Operations Support Program to the individuals Divisions. Funding is being programmed to the two bureaus in this initial year based on both workload indicators and specific tasks completed. An oversight or governance group will be established to develop ongoing management of support costs.

Statewide indirect costs

Recommendation: *These indirect costs should be reviewed for fairness as applied to the Department of Natural Resources.*

DNR response: Yes. The DNR will meet with the Department of Finance to discuss the approach currently being used to assess indirect costs and to review its fairness as applied to the Game and Fish Fund.

Fiscal Issue in BOC's cover letter

Enforcement costs attributable to commercial enterprises

Proposed Solution: *There may be room for improving accounting of commercial enforcement and management activities.*

DNR response: The DNR believes that a commercial licensee ought to pay the full cost of its own enforcement and administration, unless some public benefits are gained from the activity. Currently, conservation officers code their hours for work on commercial enterprises under four activities – commercial enforcement and management, timber, forest decorative trees, or special investigations. DNR will make coding changes to provide a more detailed accounting of time spent in each specific regulated commercial activity, and discuss the implications with the oversight group in the future.