

**Response from Minnesota Department of Natural Resources
to the Budgetary Oversight Committee's Citizen Oversight
Report on Game and Fish Fund Expenditures Fiscal Year 2005**

December 2006

commissioner's letterhead

December 19, 2006

Mr. Joe Duggan, Interim Chair
Budgetary Oversight Committee
2600 W 93rd St
Bloomington, MN 55431

C: Game and Fish Fund citizen oversight appointees

Subject: Response to the Citizen Oversight Review of DNR's FY05 Game and Fish Fund Report

Dear Joe:

Thank you for your thorough review of DNR's Game and Fish Fund Report for Fiscal Year 2005. We have prepared a point-by-point response for your consideration.

Regarding the following points of general interest to the Budgetary Oversight Committee:

Inconsistency of spending compared to hunting and fishing revenues:

We recognize the current situation of angling activity spending exceeding angling-related revenues; and conversely, wildlife activity spending under-utilizing total hunting revenues. We take this situation seriously. We have and will continue to work with citizens oversight committees and the legislature to address the imbalance in our biennial budget, while at the same time, maintaining strong conservation programs.

Idea to change the annual Game and Fish Fund report to change to a biennial cycle:

While the Fisheries Subcommittee recommends the change to biennial reports, the other subcommittees did not have comprehensive discussion on the issue sufficient to voice an opinion at this time. The DNR is strongly interested in this idea, but will not move forward without BOC concurrence. We will continue working with these subcommittees in the upcoming year to better present the situation and proposal.

Wetland restoration:

DNR supports taking a comprehensive approach to wetlands and our staff are developing better methods of monitoring wetlands trends. The primary strategy in DNR's Long Range Duck Recovery Plan is protection and restoration of 2 million additional acres (30% wetland, 70% grassland) habitat, or an average of 40,000 acres a year. Wetland restoration in these landscapes will provide public benefits for water quality and biological diversity in addition to recreational benefits for hunters. DNR also influences impacts to wetlands through the Public Waters Permit program and by providing technical information and on-site reviews for other regulatory programs, such as the Wetland Conservation Act and federal permitting programs.

Letter to <<INSERT NAME>>

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Long-term dedicated funding:

The DNR supports the concept of letting the public vote on the issue of dedicating to natural resources a portion of the state sales tax, whether that is 1/8, 3/16ths or some other percentage. We believe it would provide a stable source of funding for natural resources, which historically have seen reductions in general fund spending.

If you have questions about this letter, please contact Beth Carlson, BOC Facilitator (651-259-5531).

Sincerely,

Gene Merriam, Commissioner
Department of Natural Resources

RESPONSE TO FISHERIES OPERATIONS SUBCOMMITTEE REPORT

Fishing tournament costs

The Committee now recommends that DNR seek legislative change to Minnesota Statutes to create a tournament fee structure for small, medium and large tournament.

DNR response: DNR staff are developing alternative tournament fee structures that would recover administrative costs. These alternative structures are in our proposed budget, which has not yet been finalized

Treaty management costs

The Committee still strongly urges the Legislature to fund from General Fund dollars all the costs directly related to negotiations on treaty issues with native tribes each year.

DNR response: We agree treaty costs should not be borne by the Game and Fish Fund. The DNR is evaluating ways to fund more treaty expenditures from general fund appropriations.

Continued loss of shoreline and littoral habitat

The committee recommends that DNR make an effort to work with stakeholder groups to make these rules statewide standards. We would like to see a detailed plan of how DNR will work internally and legislatively toward this goal.

DNR response: The alternative shoreland management standards were developed as part of the DNR's work on the North Central Minnesota Lakes Pilot Project. DNR has always considered the alternative standards as "tools in the toolbox" for local governments to consider and adapt to their own shoreland management issues and needs. The alternative standards were developed for a five-county area and do not necessarily address other areas of the state where conditions and issues may be different than the pilot project area. However, DNR is committed to working with local governments interested in adopting or adapting the alternative standards both within and beyond the five-county pilot project area.

Aquatic Plant Management for DNR Fishing Piers to provide shore fishing all summer

The committee recommends DNR use some aquatic plant management techniques utilizing DNR personnel to maintain fishing piers so there are some open areas mixed in the aquatic plants so pier users can fish and enjoy the piers for their intended purpose, and still maintain aquatics for water quality and fish and wildlife habitat.

DNR response: The DNR will work with organizations and volunteers through our aquatic plant management staff to conduct site inspections to determine how best to implement plant control efforts around piers on a case-by-case basis. Through the Shoreland Habitat Program, we also have opportunities for groups to get involved with establishing native plants near piers that are lacking in vegetation.

Game and Fish Fund report to change to biennial cycle

Fisheries Subcommittee members support a plan to seek legislative changes to Minnesota Statutes to provide for biennial reporting to match up with budget cycles. We further support the plan to maintain BOC and subcommittee continuity by meeting every year.

DNR response: While the Fisheries Subcommittee recommends the change to biennial reports the other subcommittees remain neutral. Subcommittees stated that they did not get a comprehensive discussion on the issue sufficient to voice opinion. We would like to work with these subcommittees in the upcoming year to better present the situation and develop a proposal.

Trails and Waterways, report to committee on boat license increase dedicated to public water access.

Boat registration fee increase was required to be dedicated to the public water access program. The Fisheries Subcommittee felt that the Division of Trails and Waterways should report to stakeholders on how the increased funding will be implemented. The Subcommittee strongly urges the Commissioner to create a new COC subcommittee or assign a present subcommittee the responsibility of reporting and oversight of the Division of Trails and Waterways.

DNR response: Minn. Stat. § 86B.706 states that money in the water recreation account can be used for five activities, one of which is acquisition, development, maintenance, and rehabilitation of public water access. Wallop-Breaux/Sport Fish Restoration law requires a minimum of 15% of federal Sportfish Restoration funds be spent on boating access facilities. These federal funds are allocated to the DNR through the state Game

and Fish Fund and represent less than 20% of the division's total Water Recreation Program funding. The DNR is open to evaluation from all stakeholders, and any oversight recommendations would be considered in context with other water access user groups. The DNR's Division of Trails and Waterways welcomes future discussions relating to Game and Fish Funds and will attend Fisheries Operations Subcommittee meetings.

RESPONSE TO TROUT & SALMON STAMP SUBCOMMITTEE REPORT

Lake Superior Cormorant Control

The DNR has effectively deferred to Lake County on this issue, and Lake County officials appear unwilling to take responsibility for the decision. The result is an impasse.

DNR response: Double crested cormorants are protected under federal law, not under Minnesota state law. Under the Public Resource Depredation Order, several states, tribal entities, and the US Department of Agriculture, Wildlife Services, may control cormorants under certain circumstances. Any control or culling efforts do require the permission of the landowner on which a colony exists, and a case must be made to the Fish and Wildlife Service if there are intentions to remove more than 10% of any given colony. The department does not feel that the case is compelling enough on the Knife Island colony for the state to take the issue to the Fish and Wildlife Service.

ATV Use of the North Shore Trail

Prohibit ATV use of the North Shore Trail. (consistent with last year's TSSC recommendation).

DNR response: On March 1, 2006, the DNR released "All-terrain vehicle use on the North Shore State Trail: A feasibility study." The full report is available at http://www.dnr.state.mn.us/ohv/northshore_study.html. The study concluded that ATV traffic couldn't be sustained on all portions of the North Shore State Trail in its present condition, except for the 6.4-mile segment currently authorized and designated by the legislature for ATV use. There are no current plans to expand ATV use on the North Shore Trail.

Lake Superior Endorsement

The TSSC does not favor the language of the Lake Superior Endorsement, as written, and does not feel any increase in Trout and Salmon stamp cost, or issuance of additional cold water angling stamps is appropriate, at this time.

DNR response: Noted.

Minntac Discharge to the waters of the St. Louis River

Minntac should not be allowed to discharge this water to the St. Louis River that flows into the trout waters of Lake Superior (North America's largest potable water reservoir).

DNR response: An EIS was completed in November 2005. On August 15, 2006, U.S. Steel Minntac submitted permit applications to the PCA. PCA is working on a draft permit and a public informational meeting is scheduled for November 30, 2006 at the PCA building in Duluth. The public and DNR will have an opportunity to comment for purposes of trout habitat protection.

RESPONSE TO WILDLIFE OPERATIONS SUBCOMMITTEE REPORT

Heritage Enhancement Reporting

We again recommend that the DNR treat Heritage Enhancement receipts as a transfer from the General Fund consistent with treatment in 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.

Wildlife Management Areas

Adapt WMA acquisition figures to include total for year, total since plan adoption, and a table/graph indicating progress since plan adoption toward goal. Anecdotal information regarding acreage in process and expected acquisition dates should also be included.

DNR response: We agree that a progress report is needed. We will be producing an acquisition report that will include acreage acquired, funds expended (to include Game and Fish Fund, Capital Bonding, Small Game Surcharge, Environmental Trust Fund and any other funds), progress towards goals and planned activity. This report will be produced separate from the Game and Fish Fund report but will be distributed to the Budgetary Oversight Committee.

Wildlife Underspensing

We repeat the recommendations in the *Report on Relative Distribution of Game and Fish Fund Between Hunting and Fishing* and request that the DNR immediately disclose the information to the legislature and the public, work to achieve full disclosure and make the legislative and funding changes necessary to correct this inequity.

and

Appendix B (Game and Fish Fund Allocation to Hunting and Fishing Activity)

In future years we recommend that the analysis be updated thru the date of the Game and Fish Fund Report and that only summary information on hunting and fishing revenues and expenditures be reported in the Game and Fish Fund Report.

DNR response: We recognize the current situation of angling activity spending exceeding angling related revenues; and conversely, wildlife activity spending under-utilizing total hunting revenues. We take this situation seriously. A variety of factors have affected this imbalance and it has fluctuated over the years. Factors that can lead to imbalance in fishing and hunting revenues vs. expenditures include, but are not limited to: 1) the success or failure of various internal and external legislative budget initiatives related to fish or wildlife; 2) funding for fisheries and wildlife activities has been appropriated from a variety of sources (e.g. game and fish, bonding, general fund) but not in the same proportion for each; 3) supplemental budget initiatives for salary inflation are disproportionate to fisheries due to the higher percentage of the fisheries budget that is salary; 4) changes in revenues from hunting and fishing sources do not always follow predictions; and 5) the game and fish fund was set up to merge the two sources of money in one account rather than tracking them separately, so this type of analysis has not been previously used to guide appropriations.

There are four basic options related to the game and fish fund that could address the imbalance: 1) increase wildlife expenditures; 2) decrease wildlife revenues; 3) decrease fisheries expenditures; or 4) increase fisheries revenues. Looking beyond the game and fish fund, there are other options to change the mix of funding sources provided to fisheries and wildlife and to adjust those to address the game and fish fund imbalance (for example, change the mix of general fund and bonding dollars provided to each activity and adjust game and fish dollars accordingly). We will continue to provide this analysis to help guide future budget discussions and decisions and will continue to work with citizens oversight committees and the legislature to provide opportunities for input and lay out options for addressing the imbalance. At the same time, we want to maintain strong fish and wildlife conservation programs.

Heritage Enhancement

Heritage Enhancement accounting needs to be simplified (see Prior Year Matter above) to enable the public to understand the sources and uses of Heritage Enhancement monies. Prior period adjustments should be eliminated; all material adjustments should be fully explained in the Game and Fish Fund Report.

DNR response: Material adjustments will be fully explained in future reports.

“No Net Gain” Resolutions

Prepare a plan to address county board concerns so that land acquisition can continue in counties that have passed “No Net Gain” resolutions.

DNR response: DNR has established a working group to address this issue and is conducting research to produce information on the economic impacts and benefits of state owned lands by county.

Development Funds for Future WMAs

The DNR must ensure that funding for WMA acquisitions include appropriate development funds to bring newly acquired land parcels “on line” as soon as possible.

DNR response: DNR has developed a policy and process for the initial site development of each new unit acquired within two years of acquisition date. This development includes boundary surveys where needed, boundary signing, access and parking, signs and basic cover establishment. Funding for initial development is planned for in the budgets of most WMA acquisition funding sources (Bonding, Trust Fund, Surcharge, etc.) The 2006 bonding appropriation specifically allows for improvements of WMA lands. Area staff work with donor organizations to include development for proposed land donations.

Appropriation to Division of Land and Minerals

Require the Division of Lands and Minerals to bill the Division of Fish and Wildlife for all professional services. Reduce the direct appropriation to the amount necessary for LAM support staff functions only.

DNR response: The Division of Lands and Minerals provides land survey and real estate services for game and fish lands after consultation with appropriate Fish and Wildlife staff. Work is charged to Land and Mineral’s Game and Fish Fund appropriation as work takes place. The appropriation to the DNR for the Division of Lands and Minerals works well to support the management of game and fish lands. Internal billings between the two divisions would result in increased costs and inefficiency. The Division of Lands and Minerals provides land survey and real estate services for game and fish lands after consultation with appropriate Fish and Wildlife staff. Work is charged to Land and Mineral’s Game and Fish Fund appropriation as work takes place. The division currently utilizes a cost coding system to track expenditures. The DNR agrees that an issue exists. Possible solutions include revising the existing accounting system to provide the needed information or the fee for service model. DNR’s Division of Lands and Minerals staff are open to discussion with the subcommittee regarding possible solutions.

RESPONSE TO BIG GAME SUBCOMMITTEE REPORT

FY05 Game and Fish Fund Report

Previously the subcommittee had requested expanded information in the report format. For the 2006 report we requested a detailed breakdown for the Deer Management account and the Deer Bear Management/licensing account to follow the 2005 CWD expenditure report. This is located on page 46 of the fiscal year 2005 ending report. We also request performance measures to be listed for each and every account.

DNR response: We have provided, and will continue to provide, detailed expenditure and outcome information for the dedicated funds to the committees. The DNR will work with the subcommittee to develop appropriate measures for each fund.

Cervid shooting preserves (noted in report's cover letter)

We support a ban on cervid shooting preserves in Minnesota.

DNR response: DNR has been supportive of a ban on captive cervid shooting facilities. During the 2006 Legislative session, DNR staff testified to that effect and will be supportive of future legislation to ban the practice.

Use of GFF for fencing stored farmed forage (noted in report's cover letter)

We oppose using Game & Fish Funds for fencing deer away from stored farm forage.

DNR response: The legislature appropriated general fund dollars to cost-share with landowners for constructing fences in the bovine tuberculosis affected area to address livestock disease management. However, since the inception of the crop assistance program in statute, Game and Fish Funds have been appropriated by the legislature for wildlife damage management throughout the state. During the budget process we will share these concerns with the legislature.

Farm Cervid Regulations

Restrictions would include the following: double fencing, mandatory testing of all deceased animals, large fines to operators not completing the required paperwork, no imported cervids, per animal fee for testing of positive farms and responsibility of all costs for follow-up treatment to all testing or any positive test to be the total responsibility of the farm cervid operation.

DNR response: Currently, regulation of farmed cervids falls under the jurisdiction of the Board of Animal Health. DNR works closely with the Board and has provided input since the responsibility shifted to them in 2004. Consequently, DNR does not have the ability to change the fencing requirements or adjust fees.

Various ongoing issues

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

RESPONSE TO PHEASANT STAMP SUBCOMMITTEE REPORT

Expenditures on best practices

The Pheasant Stamp Oversight Subcommittee (PSOSC) is recommending that the DNR submit a comprehensive review of the PHIP's account to ensure monies are spent on "best practices" according to the long-range plan by all area/regional DNR managers.

DNR response: DNR intends to develop and provide priority activity guidance to Area Wildlife Managers that will have the most beneficial effect in accomplishing the activities and goals set out in the Long Range Pheasant Plan. The DNR plans to evaluate progress towards these acreage and habitat objectives periodically.

License fee increase – NOTE – Dennis changed the actual BOC Report language. I don't think we ought to do that. Pete

The PSOSC 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 pheasant plan through the use of the DNR Hunters Handbook. The PSOSC also recognizes that the possibility of "dedicated funding for conservation" and how this may or may not affect the need for additional stamp fee increases.

DNR response: DNR is not proposing a pheasant stamp fee increase. DNR will continue to work with Pheasant Stamp Subcommittee to review account balances.

Various other recommendations

DNR response: The Pheasant Stamp Subcommittee made other recommendations regarding tactics and strategies that they would like DNR to consider. DNR staff looks forward to working with the Pheasant Stamp Subcommittee regarding the recommendations.

RESPONSE TO TURKEY STAMP SUBCOMMITTEE REPORT

Turkey Action Plan

Complete the Long-Range Turkey Action Plan and get it approved.

DNR response: We expect the Long-Range Turkey Action Plan will be approved shortly.

Trap & Transplant Program

Complete Trap & Transplant Program.

DNR response: A component of the Long-Range Action Plan was an analysis of unfilled turkey habitat and how long it will take to fill the unoccupied but suitable habitat. At our current rate of trans-locating an average of 150 birds per year, wild turkey restoration will be complete in Minnesota within 5-6 years.

Turkey Habitat

Increase turkey habitat in South Central, Southwestern, and West Central Minnesota through a cooperative partnership and by promoting hardwood restoration & management.

DNR response: DNR has been increasing Private Lands efforts in the southern half of the state during the past year. Part of this effort will be to work on hardwood restoration. DNR has dedicated a portion of an existing Private Lands staff position to these efforts.

Opportunities for Youth and Physically Challenged Hunters

Expand youth turkey/physically challenged turkey hunt opportunities by developing clear expectations and guidelines to use the volunteer resource that is available for these types of hunts.

DNR response: DNR is developing a set of guidelines that partners will be able to use to facilitate additional youth/physically challenged hunts.

Hunter Education

Inform and educate the general public, landowners, and hunters about the status and requirements of the Wild Turkey, especially in the new areas of the State where turkeys are being released.

DNR response: DNR will continue to submit press releases about turkey habitat, releasing of game farm birds, and nuisance turkeys in areas that are being stocked or where wild turkey research is occurring.

RESPONSE TO WATERFOWL STAMP SUBCOMMITTEE REPORT

Federal Farm Program

Support the conservation provisions of the federal farm program including the Conservation Reserve Program (CRP) and Wetlands Reserve Program (WRP). To the extent permitted by Minn. Stat. § 97A.075, which governs the allowable expenditures of Waterfowl Stamp funds, an appropriate amount should be used to encourage well-designed and adequately funded provisions of the federal farm program.

DNR response: We agree that one of our challenges is the design and funding of these provisions at the federal level. We also recognize the important challenge of delivering these provisions to landowners so they translate into waterfowl habitat. The cornerstone of landowner enrollments in Minnesota is our willingness to partner some waterfowl stamp funds with other dollars in the hiring of 36 “Farm Bill Assistants” to meet with individual landowners. We believe it is prudent to continue this investment.

RESPONSE TO ECOLOGICAL SERVICES SUBCOMMITTEE REPORT

Project Wild Funding

Use Game and Fish Fund dollars to help fund the Project WILD program. (This recommendation is repeated this year because the DNR has said that they would consider this change during the process of developing the fiscal year 2008-2009 biennial budget.)

DNR response: The DNR is considering a proposal to fund half the cost of Project Wild with an increased Game and Fish Fund appropriation of \$40,000/year as part of the 2008-2009 biennial budget process.

Identifying Sensitive Shoreland Area

The DNR Division of Ecological Services should fund identification and protection of sensitive shoreland areas with Game and Fish Fund dollars. This would allow local governments to establish sensitive shoreline districts that would provide additional protection from the impacts of shoreland development.

DNR response: The DNR is allocating federal dollars (state wildlife grants) in fiscal year 2007 for a pilot project to identify sensitive shoreland areas. The DNR plans to continue funding this project with state wildlife grant dollars through the 2008-2009 biennium. If this project is successful and warrants broader application across the state, the DNR will consider requesting Game and Fish Fund dollars to help continue it beyond the next biennium.

Terrestrial Invasive Species Management

The DNR should identify a funding source to address terrestrial invasive species issues, particularly on DNR-managed land.

DNR response: The DNR submitted a supplemental budget request of \$975,000 in General Fund dollars to the 2006 legislature for invasive species management, which included \$250,000 for terrestrial invasive species. The legislature approved an increase of \$550,000, \$175,000 of which will be used for terrestrial invasive species management on DNR lands in fiscal year 2007. This is not sufficient to address the growing management challenges posed by terrestrial invasive species. The DNR is considering a proposal to increase fees to fund terrestrial invasive species management as part of the 2008-2009 biennial budget process.

RESPONSE TO ENFORCEMENT, SUPPORT SERVICES, AND ADMINISTRATION SUBCOMMITTEE REPORT

Full funding for enforcement

The Enforcement, Support Services, and Administration Subcommittee continues to support full funding for conservation officers and special investigations.

DNR response: The DNR is planning to attain a full complement of Conservation Officers by hiring new officers and conducting a Conservation Officer Academy in February 2007. The Division of Enforcement had 129 Conservation Officers on January 26, 2003. There were 29 retirements in the past 3 years. With the planned 2007 Academy, DNR will have 205 Conservation Officers. The Special Investigations Unit is fully staffed.

Restitution values

The committee asks how much restitution was collected and spent this year under Minn. Stat. §§ 97A.015 and 97A.341. Also, there is an interest in increasing the penalties associated with gross over-limits and the illegal sale of walleyes related to the opening of Red Lake to walleye fishing, so our committee is interested in reviewing this matter and any possible legislation.

DNR response: In Fiscal Year 2006, a total of \$95,049.86 in fish and wildlife restitution was collected and deposited in the Game and Fish Fund.

Penalties associated with gross over-limits are set by statute. Minnesota Statute § 97A.338 makes a violation with restitution values over \$1,000 a gross misdemeanor. The Court implements penalties. Current maximum penalties for a gross misdemeanor offense range up to \$3,000 fine and/or up to 1 year in jail. There is a three to five year license revocations associated with the violation, depending on restitution value of the fish over-limit. There have been no citations issued for the sale of walleye relating to the opening of Red Lake to sport fishing.

Allocation of operations support costs to programs

This subcommittee wishes to be presented with the allocation method and associated costs applied to the other divisions for operations support.

DNR response: The allocation of operations support funds to DNR divisions was implemented in FY06. The FY06 report will contain allocation information.