

## Response from Minnesota Department of Natural Resources (DNR) to Top Findings and Recommendations from the Citizen Oversight Report on Game and Fish Fund Expenditures for Fiscal Year 2020

### BOC FINDING ON FUND SUSTAINABILITY

The solvency of the Game and Fish Fund (GFF) continues to be a major issue of concern for the BOC. Current projections show expenditures exceeding revenues beginning in FY2021 and continuing into future years, eventually driving the Operations Account balance below zero sometime during the budget horizon of FY2023. Between now and then, revenues are projected to initially remain relatively flat and then slightly decline, due in part to trends in federal funding from the Dingell-Johnson Fund and Pittman-Robertson Fund. In addition, expenditure levels, though projected to remain flat, are expected to exceed revenues by \$7 to \$10 million annually.

The BOC is encouraged by the multi-pronged approach the agency indicates it is pursuing to address this overriding issue. Beginning with scrutiny of ways to maximize the productivity of every dollar spent is commendable and must be part of the agency's strategy and, indeed, its mission. The BOC encourages the agency's efforts in pursuit of such objectives (e.g., Six-Sigma and Lean). However, constructing a strategy to accomplish greater efficiency and effectiveness requires a vigorous attention to not only *outcomes* (what is accomplished; the "what"), but also to *outputs* (what has been done to produce those accomplishments; the "how"); supported by links to how the GFF has been used to support those efforts. There needs to be well-defined achievable outcomes, metrics reviewed, documented, and adjusted through well thought out business and project plans—not unlike any successful business. The BOC encourages adoption of a budget strategy based on these concepts and encourages possibly hiring business professionals within the department (DNR). The BOC also suggests that structuring the Annual GFF Report around *outcomes*, *outputs*, and a clear explanation of the *supporting role of GFF dollars* would greatly enhance its value. The agency's strategic planning initiative (*Conservation that Works*) holds promise of moving things in a positive direction and the BOC encourages the agency to further refine its work in that regard.

However, economizing on expenditures is not likely to be sufficient to completely address the problem, i.e., additional funding sources must also be explored. The BOC has consistently held that the traditional user-based funding model, though successfully relied on for many years, no longer adequately accounts for the way natural resources are used. The traditional user base, i.e., those who purchase fishing and hunting licenses and permits, is shrinking while the benefits from conservation efforts funded by those license sales accrue to society as a whole. Exploring how the design of user-based fees and their application could be improved must be part of the solution, and the BOC supports the initiative announced at the 2021 DNR Roundtable by Commissioner

Strommen to explore new and alternative options. However, expanding the base must also be part of the strategy.

Although expanding the user base presents challenges, the BOC believes there are many opportunities to be assessed. A prime example is the recent experience fostered by the COVID-19 pandemic, which seems to have prompted renewed interest in outdoor activities. The DNR has responded well with finding creative ways to adapt to ever-changing conditions caused by the pandemic and health and safety restrictions. For example, the DNR successfully transitioned to virtual instruction during the pandemic to acquaint and inform individuals about outdoor activities. The BOC recommends that the DNR capitalize on this momentum by finding ways to sustain the reinvigorated level of participation. For example, capturing the participants from the virtual classes and converting them to in-person classes for continuing education to keep these individuals engaged in outdoor activities as society transitions to a more normal pace. Also, perhaps targeted research into factors that have motivated the renewed level of participation may provide insight for future promotional efforts.

Another dimension of this issue involves the actual transaction of purchasing a license. The DNR needs to give high priority to its search and development of a new electronic licensing system (ELS). An upgraded ELS would allow the DNR to capture both first-time outdoor participants and lapsed participants who have self-reactivated. The current ELS does not provide a capture opportunity for participants who buy through License Agent Locations and falls far short of what is available in many other states. The BOC believes the current ELS limits the flexibility of the agency to effectively manage the all-important license sales function and contributes to disincentives to purchasing a license. Even something as basic as simplifying convoluted regulations would be a positive step.

***DNR response:***

DNR appreciates the BOC's continued focus on the health of the GFF. Funding for natural resource management is a topic of national conversation in which Minnesota is an active participant; including conducting a national survey on funding innovations that states have attempted. Funding natural resource conservation has no "silver bullet" and we continue to consider new approaches to funding ideas.

Earlier this year DNR announced plans to identify a more equitable and sustainable funding model for outdoor recreation and conservation. DNR wants to ensure that it can serve new, returning, and long-time outdoor enthusiasts, and sustainably manage the state's natural resources for generations to come. As the BOC notes, this issue needs to be tackled now because Minnesota's current outdoor funding model falls short of meeting expectations for quality and equitable access and sustainable conservation. The current phase of the future funding project focuses on education and idea generation to identify a shared vision for outdoor recreation and conservation and consider possible funding solutions. By the second half of 2022, this collective effort will produce an actionable funding framework that is reflective of research, best practices, and diverse input.

More information can be found on the DNR Reinvesting in Minnesota's outdoors website <https://engage.dnr.state.mn.us/reinvesting-in-minnesotas-outdoors>.

The Division of Fish and Wildlife (FAW) continues to assertively work to improve its organizational structure, its work planning, and its practices to ensure form and function are aligned, to identify and complete the most important work, and to do that work in an efficient, effective manner. Organizational structure

recommendations will be delivered in the first quarter of 2022. Division-wide work planning with goals and measurable objectives will become better integrated into the FY 2023 budget process. And the division continues to pursue administrative efficiencies with the help of tools like Six-Sigma, with a current emphasis on purchasing procedures.

The most recent Game and Fish Fund Report format was changed in an attempt to better capture the outcomes of work funded by the fund. The agency received feedback on the new format and will continue to evolve the report to best explain the outcomes of activities funded by the game and fish fund.

Minnesota experienced a welcome bump in the number of hunting and angling licenses sold in FY2020. While marketing efforts to retain these new participants are being made, we are projecting a continued gradual decline in participation as competition for free time and discretionary spending increases. The Division of FAW conducted a survey of fishing and hunting stakeholders to gather baseline data on 1) potential simplification of license structures and options, and 2) willingness to pay for various hunting and angling privileges. DNR received the final version of the report in October 2021, and we will be happy to discuss the results with the oversight committees. We expect to use the findings to help inform discussions with stakeholders and legislators as the agency develops its next license fee package and considers simplification.

DNR continues to work on creative ways to reach out to new audiences, provide essential information regarding hunting and fishing, and create a continuous pathway for Minnesotans to learn how to hunt and fish and become self-sufficient in those activities. While the pandemic has created challenges for experiential, in-person programming, it drove staff to turn to remote methods of programming and networking, which have benefits for reaching out broadly across the state. Work is underway to develop programs and partnerships that will include both online learning opportunities with in-person, experiential opportunities. The experiences of the past year have also helped shape the division's draft R3 plan (recruit, retain, reactivate). The plan is currently under review by the agency's [R3 Council](#) and will be available this winter.

We recognize and agree with the benefits that a new ELS will offer and modernizing our current system is a high priority. We address the ELS more completely in the next section.

## **BOC FINDING ON ELECTRONIC LICENSING SYSTEM**

Modernizing the DNR licensing system and license process has been a topic of conversation for several years. Having the oldest licensing system in the country does not fit the image the DNR is hoping to portray when recruiting new and younger audiences. With current or lapsed license holders, outdated technology leads to a poor user experience that impacts the DNR's ability to retain and reactivate.

The process itself has been a series of fits and starts in which the DNR has spent considerable resources (time and money) defining and redefining their needs. Recent efforts by the DNR to better understand customer expectations through user surveys and research into license practices, pricing, and revenue structure, will better inform the final decision. The hope is that the time spent on developing this latest Request for Proposal (RFP) will lead to a streamlined vetting process and partner selection. Though details of the forthcoming RFP were not known at the time this report was written, the BOC is hopeful that the DNR will find the right balance of priorities and cost.

Outreach, in particular, needs a better data partner in the ELS. Marketing efforts to increase license purchase and discourage lapsing have been successful but lack scalability without better customer data and better funding. Increasing online transactions and moving customers to paperless licensing and tags should be a priority if the DNR wants to stay relevant with new and younger users.

***DNR response:***

DNR and our Minnesota Information Technology (MNIT) partners agree that modernization of the ELS is long overdue. State procurement laws require new contracts and a Request for Proposals (RFP) every five (5) years but several RFPs since 2013 have not led to an updated system. A 2013 RFP was awarded to a contractor that ultimately was unable to demonstrate it could deliver a start to finish license purchase process, raising questions about the functionality of the system. That contract was cancelled and the existing ELS contract was renegotiated to ensure continued functional services that would not negatively impact Minnesotans. In 2017, another RFP was issued, negotiations began but they also did not result in an award.

In 2019, the Governor issued an executive order (EO 19-02) establishing a Blue Ribbon Council on IT (BRC-IT). The council was charged with providing advice on how to update and maintain the state's IT systems to ensure that Minnesota residents and businesses who interact with the state receive the best possible service. The agency is partnering with MNIT and Dept. of Administration to use the 2017 RFP, 2018 RFI learnings, and recommendations from the BRC-IT as a baseline for a future RFP making data privacy, security, accessibility, and stakeholder engagement a priority.

The current ELS contract expires March 2024. DNR is actively seeking input from license buyers, license agents, deputy registrars, and internal stakeholders as it develops requirements for the next RFP, which is scheduled to be released this spring. The goals of a new licensing system are to ensure any Minnesotan can easily buy a license while also positioning the system to take advantage of technology advances.

**BOC FINDING ON CHRONIC WASTING DISEASE**

Chronic Wasting Disease (CWD) continues to be a serious and immediate problem affecting deer across areas of Minnesota. Although DNR measures have helped to control its spread, CWD continues to pose a threat to Minnesota's moose and elk populations as well. Continued vigilance is needed to control the threat that CWD poses to these populations as well as associated economic and social impacts.

Efforts to forestall CWD requires sustained and coordinated efforts by multiple entities: the DNR, the Board of Animal Health (BAH), the Department of Agriculture (DOA), all farmers, all hunters, and all wildlife enthusiasts. It is important to emphasize that CWD is not just a "hunter's issue" and, therefore, the considerable cost of controlling the disease should not fall strictly to the GFF. The BOC applauds the legislative General Fund authorization in FY2020 to support the DNR's ongoing CWD mitigation efforts. Reasonable requests for continuing General Fund support should be approved.

Despite the significant measures already implemented as well as the additional funding support, effective management of this wildlife health issue in the 2020 hunting season was complicated by the restrictions imposed by the COVID-19 pandemic. This experience highlights the need to continue to look for new and innovative ways to combat this issue; e.g., expanding the dumpster program. In addition, continued support for

the DNR's surveillance activities is critical for understanding the spread and ultimate control of the disease. Although coordination with other entities has been productive, split enforcement authority continues to be an avoidable complication.

There are still many unknowns associated with CWD and methods to completely eradicate it have not yet been discovered. Therefore, it remains a serious threat to Minnesota's wildlife, its outdoor economy, and an important part of its social fabric.

***DNR response:***

DNR agrees that CWD is not simply a hunter's issue and is grateful for efforts that resulted in General Fund appropriations to help offset the costs of surveillance and management and to fund concurrent management of white-tailed deer farms with the BAH.

During the fall 2020 hunting season, CWD surveillance took place across five areas of the state; three designated management zones, where CWD had been found in wild deer, and two surveillance zones where the disease had been detected in captive deer facilities. DNR's CWD management response called for increased harvest through liberalized hunting opportunities and control the movement of deer carcasses through carcass movement restrictions, which helps to prevent further spread of disease to new areas of the state. Deer feeding and attractant bans were enacted for counties in and surrounding CWD areas to reduce artificial concentrations of deer and limit any potential of further disease transmission.

Sampling goals are established to provide 99% confidence in detecting the disease if it is in 1% or more of the deer population. Due to COVID-19 safety considerations, surveillance in all areas was voluntary and hunters were asked to deposit heads from harvested deer at "self-service sampling stations." A total of 6,280 samples were collected during the fall hunting season with an additional 860 samples during two special late-season hunt weekends. DNR recruited taxidermists into a partner sampling program and 1,467 samples (23%), were submitted through this system. The overall cost of the fall 2020 surveillance effort was \$856,015 or about \$134/sample. There were 27 new detections of CWD in deer: 18 hunter-harvested, 5 agency-culled, 1 found dead, and 3 vehicle-killed. As of June 30, 2021, Minnesota detected 115 positive wild deer since 2002.

To help mitigate risk of spreading CWD prions in the environment, dumpsters were made available to hunters in all CWD Management Zones to offer a safe method for disposal of deer carcass remains. This program also encourages compliance with carcass movement restrictions by offering a quartering station next to each dumpster, providing an opportunity for hunters to butcher deer and leave immediately with the venison. The 41 dumpsters were very popular with hunters and collected more than 200 tons of deer waste. Overall dumpster program costs were approximately \$250,000. All deer waste was hauled to either an approved lined landfill or incinerator.

As a result of 2021, legislation, the DNR and the Board of Animal Health share co-management authority of white-tailed deer farms. The legislature also appropriated General Funds (\$1.729 million in fiscal year 22 and \$2.732 million in fiscal year 23) for wildlife disease response, of which CWD is the current disease response. DNR returned to mandatory CWD sampling in fall 2021 effort over opening weekend of firearm deer season to improve sample numbers and ensure the agency has sufficient data to manage the disease where it exists. Due

to ongoing concern of Covid-19 risks, hunters have both in-person and self-service testing station available to submit samples from their harvested deer.

## **BOC FINDING ON FISH HATCHERIES**

The needs of the state's fish hatcheries continue to be a top priority for the BOC. State-owned hatcheries are needed to ensure the genetic integrity of the state's native fish that contract hatcheries do not maintain. Significant repairs and improvements to buildings and pond infrastructure are necessary to operate the state's fish production system. While we applaud the DNR's efforts to prioritize needs through an updated Fish Production Plan, the BOC continues to express concern over the immediate need for hatchery bonding money as those funds allocated in the past five years have simply been insufficient for the ever-growing infrastructure needs.

### ***DNR response:***

Hatchery infrastructure improvement remains a priority for DNR. Since 2012, the agency has requested \$12.5 million specifically for fish hatchery infrastructure (2012, 2014, and 2016-2017). Of those requests, DNR received a \$2 million hatchery-specific appropriation in 2014. Over the same period, DNR has invested \$6.27 million of Natural Resources Asset Preservation bonding funds allocated to the agency toward hatchery projects. Of those investments, replacement of Lanesboro's main hatchery building has been the most significant project (\$5.7 million) in the past 10 years. Hatchery infrastructure repairs, improvements, and replacements are best funded through the bonding process, but the division has spent more than \$2 million from the GFF (Game and Fish, Heritage Enhancement, and Trout and Salmon Stamp Accounts) to - address urgent hatchery repairs.

The state's fish hatchery system remains largely supported by aging infrastructure that current assessments estimate requires more than \$61.5 million to meet ongoing and future needs. DNR is requesting \$12 million in the 2022 bonding cycle specific to hatchery infrastructure needs at our two primary walleye and muskie hatcheries (Waterville and New London), and a trout hatchery (Crystal Springs). Funds are needed to repair or replace failing infrastructure and make upgrades to protect against aquatic invasive species and harmful fish pathogens. Opportunities to make hatchery improvements may also be provided by federal COVID relief funds that will be appropriated as part of the 2022 legislative session.