

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 2016

September 2017

Game and Fish Fund Budgetary Oversight Committee

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

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September 27, 2017

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RE: Budgetary Oversight Committee Report on FY 2016

Commissioner, Senators and Representatives:

I am pleased to present the Fiscal Year 2016 report of the Game and Fish Fund Budgetary Oversight Committee (BOC). The BOC and its two subcommittees determined that FY 2016 Game and Fish Fund expenditures complied with the overall requirements of the Game and Fish Fund.

The introduction lists our top recommendations. We ask the DNR to provide a written response to these items.

The detailed section of our report identifies some account-specific concerns and recommendations. We ask that fisheries and wildlife managers follow up on these items in future meetings and discussions with the Fisheries Oversight Committee (FOC) and Wildlife Oversight Committee (WOC). They do not require a written response.

Thank you for your continued support of healthy, abundant fish and wildlife populations and their habitats.

Yours truly,



John P. Lenczewski,
Chair, Game and Fish Fund Budgetary Oversight Committee

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Introduction

Background

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

The format of the FY 2016 Game and Fish Fund Report is different from that used in previous years. The new format combines Fisheries and Wildlife expenditures together. It also places the outcomes and accomplishments for the various “functions” in a separate section apart from the revenues, expenditures and fund balance sections. The reviews by the WOC, FOC and BOC required the examination of management activities and outcomes with related expenditures. Consequently, whenever possible, this BOC report will discuss expenditures and any policy issues by major function.

This report was approved by the BOC by an email vote completed on September 27, 2017.

Top findings and recommendations

FY 2016 expenditures from the game and fish fund reviewed appear to be in keeping with statutory requirements and sound management practices, with one exception.

The top priority recommendations of the BOC to the Department of Natural Resources (DNR) are listed below, in no particular order. The BOC requests that the DNR provide a written response on each of these recommendations:

We recommend that the DNR:

- Develop a **comprehensive package of funding**, including license fee increases for fishing, hunting, ice shelter, and the like, which will ensure the solvency of the Game and Fish Fund (GFF) for the next decade, without a reduction in the level of management effort. The funding plan should include all the following areas:
 - A proposal regarding all fees, including permit fees, stamps, ice shelter fees, dark house fees, etc.;
 - A proposal for annual general fund appropriations to the GFF that reflects the tremendous economic impact that non-game species and wildlife watching activities, fishing and hunting, and fish and wildlife management activities provide to the citizens and state treasury;
 - A proposal for fully funding the Division of Enforcement to allow it to fill all Conservation Officer field vacancies along with increased Enforcement operating funds to cover the increased costs of fully staffed CO positions;
 - Creation of an endowment fund;
 - Strategic forecast for the Environmental Trust Fund, Lifetime Account, and Legacy Fund;

- Submit the comprehensive funding proposal to the Governor’s office, key Legislative leaders and committee chairs by January 2018 in order to give the proposal the best chance of being enacted before July 1, 2019 (the start of FY 2020);
- Ensure the Deer Management Plan is implemented promptly upon completion, which should include a plan for adequate funding for management and control of Chronic Wasting Disease and other cervid diseases;
- Update and fully implement the Prairie Plan for the benefit of plant species and all game and non-game animal species;
- Implement and fully fund the R3 Initiative for recruitment and retention of future hunters and fishermen and women;
- Provide funding from the state’s General Fund to assist the Mille Lacs walleye fishery recovery to avoid diverting a disproportionate share of the Fisheries budget for statewide fisheries management;
- Use dedicated Trout and Salmon Stamp funds now to accelerate acquisition of trout stream easements from willing sellers, which will have the desired outcome of reducing the current large balance;
- Increase the aquatic management permit fees to a level that will cover all the costs of providing and monitoring these permits;
- In the area of outreach:
 - Consider directing additional efforts toward re-engaging the retiring baby boomers;
 - Market shore fishing areas by providing access maps and booklets;
 - Emphasize low cost ice fishing opportunities, including darkhouse angling;
 - Consider requesting additional “Explore Minnesota Tourism” funding;
 - Pursue more efforts to promote the DNR website and pages such as MinnAqua;
- In the area of fishing access:
 - Emphasize a broader vision for access development in the future, with additional quality shore fishing opportunities for youth and seniors;
 - Review partnerships with local government entities to ensure that the DNR encourages each local entity to develop its own access, whether for boating or shore fishing;
 - Prefer cost-sharing in local government partnerships and when local entities can agree to support a portion of the maintenance, but not at the expense of providing quality experiences;

GFF and Game and Fish Operations Account

Fund Sustainability

Minnesota's lakes and rivers are the State's most valuable natural resources and contribute to a healthy state economy. In addition to more than 10,000 lakes, Minnesota contains 69,200 miles of rivers and streams and is on the shore of the world's largest freshwater lake, Lake Superior. It is also home to the source of the world's third-largest river, the Mississippi River.

Tourism contributes \$14.4 billion gross sales annually to the Minnesota economy and 2015 annual Minnesota sales taxes from the leisure and hospitality industry alone generated \$930 million. (Source: [Tourism & Minnesota's Economy](#), Explore Minnesota fact sheet January 2017). Fishing and boating account for roughly \$4 billion in participant spending each year. (Source: [Water Recreation Economy at Risk from Asian Carp in Minnesota](#), Minnesota Department of Natural Resources 2014).

Since at least 2010 the state has been decreasing its investment in protecting these resources. The Section of Fisheries relies on funding from fishing license fees, federal excise tax dollars and Outdoor Heritage Funds to pay for nearly all of its programs. Prior to 2010 general funds were routinely appropriated to the Fish and Wildlife Division, but since 2011 general fund appropriations to the division dropped to near zero, with the exception of a 2015 appropriation to combat avian flu.

We are very appreciative of the legislature's action in 2017 to raise several fishing and hunting related fees. This is never easy to accomplish and we thank the leaders of the senate and house who listened to anglers' and hunters' pleas and approved these increases. We also thank the DNR and the Governor for their support and hard work in this regard.

Unfortunately, the revenue generated from these increases only prevents cuts in fish and wildlife management activities for a few years and does little to restore former levels of funding. Without additional fee increases and/or general fund allocations to the Fisheries Section's base budget in the near term, core fisheries management programs will be reduced. The Committee finds this unacceptable.

Consequently, we recommend that the DNR develop the comprehensive package of funding outlined on pages 1 to 2 of this report.

Fish Management

Budget

All except one category of FY 2016 expenditures from the game and fish fund for Fisheries management appear to be in keeping with statutory requirements and sound management practices. The exception is the use of funds for the Aquatic Plant Management program, as discussed below.

Policy

Habitat Management- Aquatic Plant Management

Anglers, through their license dollars, are subsidizing the removal of fish habitat. The FOC examined the Aquatic Plant Management Program (APM). As far back as 1998, the FOC has asked DNR, the Legislature, and the Governor to provide that all costs associated with the APM Program be covered by user fees. The APM program allows riparian lakeshore owners and lake associations to remove aquatic vegetation at a very low cost. At the same time, DNR Fisheries is actively promoting and engaging in aquatic habitat restoration and preservation projects that foster some of the same aquatic vegetation.

The APM fees generated only cover approximately 1/3 of the cost of the program. Angler fees from the Game and Fish Fund and the Water Rec Account cover the balance of the program. Lake associations have long lobbied to defeat any attempts to raise fees, not because they objected in principal but because they objected to the level of increases.

At our request DNR Staff provided the FOC with the following history of the Department's efforts to increase APM fees:

1993: Aquatic Plant Management (APM) permit fee cap is \$200 and individual permit fees may not exceed \$20. (Minn. Stat., sec. 103G.615, subd. 2 (b)).

2003: Permit fee cap is increased from \$200 to \$750; permit fee increased from \$20 to \$35.

2004: Legislature amended Section 103G so that permit fees must be set by rule and section 16A.1283 does not apply. There is no fee for purple loosestrife control.

2008: Amounts for the permit fee cap and individual permit fee for control of rooted aquatic plants are removed from Minn. Stat., sec. 103G.615, subd. 2. DNR required to develop fee rules that recover the full cost of APM program. Fee rule must not take effect until 45 legislative days after it has been reported to the Legislature.

2010:

- DNR receives Office of Administrative Hearings (OAH) approval in April 2010 to adopt revised APM permit fee rules. DNR submits permit fee rule to Governor's Office for approval to adopt. DNR does not receive approval to adopt permit fee rules within the 180 day deadline.
- Legislature amends Minn. Stat., sec. 103G.615, subd. 2 (d): "... a fee for a permit for the control of rooted aquatic vegetation in a public water basin that is 20 acres or less in size shall be one half of the fee established under paragraph (a)."

2011: Legislature amends Minn. Stat., sec. 103G.615, by inserting a \$2,500 cap on permit fees. Invasive aquatic plant management permit (IAPM) is defined in Section 103G.615 IAPM permits and in November 2011 are separated from the aquatic plant management program and issued without fee by invasive species program staff in the Division of Ecological and Water Resources. 2012 is the first open water season for IAPM permits.

2012: Legislature amends Section 103G.615 to include general permit authority and sets a permit fee for authorizations under a General Permit at \$30.00.

2013:

- DNR proposes legislative initiative to increase APM permit fees but this does not pass.
- DNR pursues rulemaking in October 2013 to revise rule to reflect the \$2,500 maximum permit fee in statute.
- DNR receives OAH approval in November 2013 to adopt rule revision increasing the permit fee cap in rule from \$750 to \$2,500 but by law the rule does not take effect for 45 legislative days.

2014: DNR provides notice to Legislature on 1/31/2014 of the fee increase in rule. Minn. Stat., sec. 103G.615, requires that there be 45 legislative days before changes to permit fees go in effect.

2015: In January 2015, the final day of the 45 legislative day reporting period passes and the \$2,500 fee cap increase goes into effect.

As the following table shows, in the past three years, the number of permits and properties has grown to over 4,425 permits and almost 8,165 properties. The total revenue generated from the APM covers only 32% of the costs of the program. Minnesota angler and boater fees fund the remaining 68% of the APM. Thus angler and boater fees subsidize the APM, a program intended to reduce fish habitat.

Aquatic Plant Management Revenue and Expenses FY 2014-16

Fiscal Year	APM Revenue	Game and Fish Exp.	Water Rec Exp.	Total Exp.	Permits	Properties
2014	\$207,666	\$334,347	\$386,331	\$720,678	\$3,676	\$7,480
2015	253,741	186,525	513,185	699,710	4,876	8,585
2016	266,760	303,761	521,072	824,833	4,725	8,431
3-year average	242,722	274,877	473,529	748,497	4,425	8,165

The Committee believes that because of the low cost of the APM Permit, anglers are losing near-shore critical habitat faster than it can be preserved and restored. Near-shore habitat is critical to fish and wildlife spawning and rearing as well as the main buffer for wave action and from upland erosion allowing nutrient and sediment loading.

Shoreline property ownership generally conveys a suite of property rights unique to riparian owners that govern lake-bottom ownership, in-lake habitat removal, and general recreational surface water access and use. In exercising their riparian rights, lakeshore residents may, and often do, adversely alter lake habitats. Lakeshore residents generally recognize the consequences of certain detrimental behaviors, but many also knowingly conduct activities that adversely impact lake water quality as well as fish and wildlife habitats for reasons including personal aesthetics, peer pressure, economics of lakeshore property, and lack of understanding of cumulative impacts.

We find that the use of game and fish funds to subsidize removal of fish habitat in this way is inconsistent with the statutes governing the Game and Fish Fund. In light of this finding, we recommend the DNR and Legislature act to increase the aquatic plant management permit fees to a level that will cover all of the cost of providing and monitoring these permits.

Walleye Stocking Assessment

DNR staff shared with the committee a study underway to determine the impact on catchable biomass resulting from walleye stocking efforts in various waterbodies around the state.

We support this science-based effort to manage walleye populations and believe this will have the additional effect of using limited financial resources wisely.

Mille Lacs Lake Walleye Fishery

The Committee recommends that General Funds be provided by the Legislature to assist with efforts to recover the Mille Lacs Lake walleye fishery to avoid diverting a disproportionate share of the Fisheries budget away from statewide fisheries management.

While the FY 2016 GFF Report focuses on budget and management activities through June 30, 2016, the continued budgetary impacts of increased staff time and resources directed toward addressing the walleye fishery in Mille Lacs Lake is substantial, but to date not adequately quantified or assessed. The DNR has responded to changes in the structure of the walleye fishery and public pressure with increased studies, increased stocking, and reduced bag limits. In August 2015, the DNR announced plans to open a new research and management facility near the lake.

The Mille Lacs Lake walleye situation has created significant, immediate pressure on the Fisheries budget at a time when it was already extremely tight. We recognize the importance of maintaining a world-class walleye fishery on Mille Lacs. However, given the impact to the economy of the area it would be prudent to expend General Fund dollars to support efforts to understand and abate the problem of reduced walleye numbers. Using general fund dollars for this issue would be similar to providing disaster and economic recovery funding to agricultural interests or to business interests that are impacted by natural or economic disasters. The Committee recognizes that the DNR has been under pressure from the Mille Lacs Lake user groups and their efforts in rehabilitating the walleye population for all user groups are commendable.

Wildlife Management

All FY 2016 expenditures from the game and fish fund for Wildlife management appear to be in keeping with statutory requirements and sound management practices.

Fish and Wildlife – Outreach

This section within the division provides information, education, and public engagement with and through stakeholder organizations to deliver hunting and fishing skills programs, aquatic education, mentored hunting, and outreach to emerging immigrant populations. It also coordinates media, marketing, and communications activities including web content, news releases, hunting and angling participation campaigns, and support materials for division programs.

Marketing

The total Fisheries and Wildlife marketing budget for FY 2016 was \$70,000. Since 2014, marketing has been able to leverage this limited budget through a relationship with Explore Minnesota Tourism (EMT) in which EMT provides a 50-50 match that has typically brought in an additional \$30,000. Every \$1 in marketing funds spent has returned \$1.67 to the Game and Fish Fund.

Additionally, sporting related economic spending averages \$1,537 per angler/\$1,412 per hunter, which contributes to the State of Minnesota's economic health.

Findings and Recommendations

The Committee recognizes the exceptional job the DNR marketing group has done with very limited resources.

The Committee recommends that the marketing group:

- Continue to be innovative and creative in getting new people involved in fishing
 - Consider directing additional efforts toward re-engaging the retiring baby- boomers, age group 57 to 74 years of age. This demographic is in, or is about to enter, retirement with more leisure time and available income to invest in outdoor activities. They can also directly influence their grandchildren's recreational time;
 - Market shore fishing areas by providing access maps and booklets similar to the trout stream maps in SE Minnesota;
 - Emphasize low cost ice fishing opportunities including darkhouse angling;
- Consider requesting additional EMT funding to further market Minnesota resources to enhance return on investment; and
- Promote the DNR website and pages such as MinnAqua, which are excellent resources.

Game and Fish Dedicated Accounts

Deer/Bear Management; Computerized Licensing; Emergency Deer Feeding and Wild Cervid Health Management Account (2201)

This account is funded by \$1 from each deer and bear license and \$1 from each validated lifetime license to be used for deer and bear management. This account also includes funding for the computerized licensing system. Total expenditure was \$824,840. \$350,000 more was spent over FY2014, most in partnership with the Minnesota Deer Hunters Association for deer feeding.

Budget

The Committee recommends that the DNR:

- Consider eliminating the deer feeding portion of the account with the revenue used for cervid health issues;
- Set and maintain a sufficient reserve balance in the account to deal with emergency cervid health issues;
- Consider using general revenue funds to handle the issues of CWD, such as requesting general revenue funds for the use of monitoring farms when issues are detected;
- Pursue funding from USDA for testing cervid farms;
- Generate a plan for sustainable funds based on forecasting of disease outbreak;
- Better cooperation between Dept of Agriculture, Board of Animal Health, and DNR on cervid health issues;
- Form legislation regarding cervid health issues such as CWD;
- Consider developing a separate cervid health management sub-account to better track costs of myriad disease and big game population limitations; and
- Build licensing costs into the costs of establishing any new hunting seasons rather than maintaining a separate account tracking for licensing.

Policy

We support the DNR's science-based efforts to manage big game populations and make the following specific policy recommendations:

Deer

- Support the accelerated timetable to establish new deer population goals; and
- Continue to seek diverse input on population goals and management strategies.

Moose

- Continue the moratorium on moose hunting seasons. Continue to research adult and calf mortality and survival rates.

Elk

- Implement the elk management plan by providing opportunities to increase elk in Minnesota to the extent possible given social and economic limitations.

Bear

- Examine the need to continue to require licenses for bear guides. Do not make any promises regarding bear licenses to any constituents, organizations or individual guides until a thorough study is completed.

Audit and Management Plan

- Respond to the 2016-17 legislative audit as needed to maximize fiscal integrity, population goals and management, and/or otherwise enhance the effectiveness of deer management while maintaining science based decisions and ensuring adequate engagement by the public; and

- Complete a deer management plan followed up by finishing the population goal setting in the rest of the state.

Deer Habitat Improvement Account (2202)

Revenue for this account is provided by \$2.00 from the sale of each annual deer license and super-sports license and \$2.00 from each validated lifetime deer license. The governing statute is Minn. Stat. 97A.075, subd. 1b. Revenue from each \$30 resident deer license is distributed as follows:

- \$24.29 deposited in Fish and Game Fund, Operations Account;
- \$2 dedicated to deer habitat;
- \$1 dedicated for deer or bear management;
- \$0.50 for cervid health;
- \$0.50 for wolf management and monitoring; and
- \$1.71 for ELS license issuing fee.

For FY2016, total revenues for Account 2202 were \$1,269,868 and total expenditures were \$1,210,228. Of the total \$1,210,228 in expenditures, \$818K (67%) was spent on habitat management; \$392K (32%) was spent on population management; and \$4K (1%) was spent on planning and coordination.

Budget

The budgeting process determines need on a statewide basis and then determines funding sources based on the nature of statewide needs as well as the statutory requirements of each relevant account. A portion of Account 2202 funds is allocated for salaries and fleet costs associated with staff activities devoted to deer habitat projects. In addition, a portion of Account 2202 funds is used for deer habitat research as well as statewide program needs related to deer habitat issues consistent with statutory requirements. In FY 2016, \$311K was used for research, and \$606K for statewide programs activities. The remaining funds are distributed to DNR Administrative Regions according to an allocation model, based on forestry management and deer harvest data, and are used for project priorities within each region. The allocation by Region for FY2016 is as follows: Northwest - \$180K; Northeast - \$64K; Central - \$18K; Southern - \$39K.

We recommend that the DNR:

- Consistently code activities related to forest work, hunter access work, technical guidance and nuisance animal control, and other deer habitat program activities to ensure that the DNR can clearly demonstrate that Account 2202 funds are devoted to deer habitat improvement, and not use Account 2202 funds for any wetland work unrelated to deer; and
- Determine a target amount for an Account 2202 fund balance and manage the fund to maintain that target and meet program needs.

Policy

Management Plan

We recommend that the DNR complete the deer management planning initiative currently underway in order to maximize fiscal integrity, population goals and management, and/or otherwise enhance the

effectiveness of deer management while maintaining science based decisions and ensuring adequate engagement by the public.

Waterfowl Habitat Improvement Account (2203)

This account is funded through a \$7.50 annual 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:

- development of wetlands and lakes for maximum migratory waterfowl production, including habitat evaluation, construction of control structures, nest cover, rough fish barriers and acquisition of sites and facilities necessary for development and management of existing migratory waterfowl habitat;
- management of migratory waterfowl, including census and surveys, special hunt management, and related coordination and operational support;
- restoration, maintenance, and preservation of waterfowl habitat;
- acquisition of and access to structure sites; and
- promotion of waterfowl habitat development and maintenance, including promotion and evaluation of government farm program benefits for waterfowl habitat.

Total expenditures for 2016 were \$500,384.

Budget

We recommend that the DNR develop a plan for incremental increases in the state waterfowl stamp fee to keep pace with inflation while following existing statutory guidelines. The stamp fee has not been increased in 13 years.

Policy

We recommend that the DNR:

Changes and Innovation

- Retain and further develop the recent expansion of hunting opportunities for open water layout shooting, maintain an earlier season with the federal season for increased wood duck harvest opportunities, 1/2 hour before sunrise opener, and other expanded opportunities that enhance hunter recruitment and retention efforts; and
- Continue the waterfowl youth opener for recruitment of the next generation of duck and goose hunters.

Season Framework

- Refrain from adopting any addition special or early teal seasons. With the expansion of opportunities for harvesting Canada geese, snow geese, and an earlier start to the regular season, we find no need for such changes to the teal season. Concerns are potential interference with Youth Waterfowl Day, concerns over hunter-bird identification for a teal only season and potential decrease in Pittman/Robertson dollars

from non-hunters, and the costs associated with monitoring and enforcing the bag limits.

Habitat

- Establish 14,000 acres of seasonal wetlands using moist soil management techniques. The department's conservation goal is 12,000 acres, with some stakeholders desiring a higher target; and
- Accelerate enhancement of 1,800 shallow lakes for waterfowl migration habitat. Examine alternative models to speed up this lengthy process to manage lakes effectively.

Trout and Salmon Management Account (2204)

The purpose of this account is to develop, restore, maintain, improve, protect, and preserve habitat in trout and salmon streams and lakes; rear trout and salmon; identify and acquire easements; and fund research and special management projects. Trout anglers asked for and supported this stamp to provide additional funds above and beyond the general Fisheries Section dollars to be spent on habitat Improvement, acquiring additional easements, etc.

Budget

Fund Balance

The fund balance continued to grow in 2016 by \$47,000 to \$941,000, which is significantly above the \$300,000 target fund balance required for cash flow purposes. This growth in fund balance has been a continuing trend since FY 2011 despite continued urging by the Committee to spend the available balance on critical time-sensitive activities. Revenues are projected to continue increasing from increasing trout stamp sales.

The DNR continues to monitor and preserve the values of existing easements utilizing funds generated from trout stamp sales. Actual expenditures in 2016 for management and acquisition were \$930,000 of which only 1% was utilized for acquisitions. The greatest percentage of funding (68%) was for stocking of coldwater species.

Consistent with prior years' recommendations that were not acted upon by the DNR, the Committee urges that dedicated funds in this account be utilized now instead of carrying such a large balance.

Policy

Acquisition Plan Targets Still Going Unmet

In 2007 the DNR convened a group of stakeholders to develop a thoughtful acquisition plan for Aquatic Management Areas, including trout stream easements. The plan, Minnesota's Aquatic Management Area Plan 2008–2033, was published in October 2007. The DNR endorsed this thoughtful, strategic plan, which calls for accelerated acquisition of new trout stream easements at the rate of 100 miles per year from 2008 to 2017.

In the last 5 fiscal years, only one easement has been purchased with Trout and Salmon stamp dollars. This expenditure was for \$5,050 in FY 2016 to purchase 0.5 miles of easement. One purchase in five years is far short of the AMA plan and the wishes of Minnesota anglers.

We are encouraged to see 14 trout stream easement acquisitions are in progress. They are, however, slated to be funded with Outdoor Heritage Fund dollars that were created by the citizens of Minnesota to supplement and not supplant traditional sources of funding for these activities.

We again strongly recommend using the remaining funds in the Trout and Salmon Management account to accelerate acquisition of trout stream easements from willing sellers—opportunities that if not acted upon quickly, can often be lost forever.

Additionally, while real estate transactions can naturally be a lengthy process, technical and legal services are reported to be overloaded, delaying the addition of new easements. We ask DNR to identify resources needed to rectify this situation.

French River Coldwater Hatchery

The DNR has announced plans to close this hatchery, in large part due to the excessive energy costs associated with operating the facility.

We support this decision and the continued activities to decommission the facility.

Pheasant Habitat Improvement Account (2205)

This account is funded through a \$7.50 annual habitat stamp that is required by anyone 18 years and older who hunt pheasants to be used for the development, restoration and maintenance of suitable pheasant habitat. It includes the promotion of pheasant habitat development and maintenance of government farm programs and federal conservation reserve programs. Total expenditures were initially report as \$488,843 with an ending fund balance of \$102,877, which is \$36,764 over prior year. However, DNR Wildlife spent \$510,260 in Pheasant Habitat Improvement Account dollars in FY2016. The expenditures were higher than reported in the Game and Fish Fund Report due to a late expenditure to BWSR for the Farm Bill Partnership when they were able to provide an itemized invoice. Those expenditures reflect the five expenditure priorities as follows:

1. Development, restoration, & maintenance of pheasant habitat - \$346,380
2. Reimbursement for land set aside for pheasant habitat - \$0
3. Reimbursement for providing pheasant habitat - \$15,744
4. Promotion of pheasant habitat and Farm Bill Partnership - \$144,162
5. Land acquisition - \$3,974

All expenditures contribute to the specific projects and strategies of the Governor's Pheasant Action and Prairie Plan. These funds are most relevant to increase habitat management on public and private lands.

Pheasant harvest goal of 600k

Expenditures from the account contribute to the development, restoration, and maintenance of suitable habitat on public and private lands, which will help pheasant populations and contribute to increased harvests.

Land acquisition programs

As indicated, just under \$4,000 was spent on acquisition programs. These expenditures were spent in Area budgets to support acquisition efforts, primarily as fleet to meet with landowners, attend other acquisition meetings and to attend County Board meetings associated with acquisition resolutions. About 70 percent of the expenditures occurred in Region 4 and the remainder in Region 3.

Land access programs

The primary mechanism for expenditures in this category is through the Farm Bill Partnership. That amount was \$142,303 and cannot be attached to a geographic location since the DNR contributes to the overall partnership and individual dollars cannot be tracked geographically.

Land enhancement programs

The primary expenditures here are for habitat enhancement on WMAs. As budgets tighten, The DNR first takes care of WMA lands for which there are no other responsible entities. Roadsides and private lands, while worthy places to enhance wildlife habitat, have other responsible entities to do management where WMAs do not. This amount was \$346,380 on WMAs and \$15,744 on private lands.

Farm Bill Biologist and Prairie Habitat Assessment Biologist

\$142,303 went to the Farm Bill Partnership which supports multiple farm bill biologists in multiple counties. Since this fund cannot be used for DNR salaries, ours is supported from the Game & Fish Fund and their operating budget is from Heritage Enhancement.

This spring the DNR will continue this review by developing additional guidelines to help determine why food plots are needed on each WMA as well as size and location in the WMA to best meet wildlife needs. The Department is also developing an Operational Order "Annual Cropping on DNR Lands."

Roadside Recovery Task Force & Roadside Habitat Coordinator

The DNR combined the Roadside Habitat Coordinator duties with the Walk-In Access Coordinator duties and filled the resulting full-time position. DNR will be working with DOT over the next year to convene meetings with partners from the agriculture and conservation communities to develop guidelines for roadside management.

Budget and Policy

We recommend the following:

- Maintain a surplus in this volatile account to offset bad winters or other weather effecting brood production and hunting opportunities;

- Increase the cost of the pheasant stamp to keep up with inflation. The stamp fee has not increased in 13 years putting stress on the funding of this account;
- Expand land acquisition by increasing bonding to historical levels for areas in the state that have less than 5% public ownership. We do NOT support legislation that would establish “no-net-gains of public lands “ policies, “Poison Pill” policies, or other policies that would hinder the acquisition of land with funds from this account that would benefit pheasant hunting and conservation. We support legislation related to enhancing pheasant habitat in buffer strips and roadside habitat;
- Continue to fund programs that support biologist positions and investigate expanding programs that help private owners with pheasant habit and conservation;
- Continue to develop roadside habitat via guidelines, coordinator position, and partnerships;
- Continue supporting the Farm Bill Partnership and the many pheasant conservation benefits of this program;
- Enhance and maintain a sustainable Walk-in access program that increases pheasant hunting opportunities;
- Increase financial and technical support to maintain or enhance RIM, CRP, Walk-in Access and other programs that provide pheasant hunting opportunities to support an annual harvest goal of 600,000. Provide competitive compensation for conservation initiatives to increase enrollment available in these and other related programs; and
- Continue to support the Governor’s Strategic Pheasant Action Plan and Prairie Plan with funds from this account. Continue to prioritize WMA pheasant conservation efforts and programs related to pheasant habitat and hunting opportunities in WMAs.

Wild Rice Management Account (2206)

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. Total expenditures were \$40,000.

Budget

Beaver Impacts

We recommend that the DNR expand partnership with Ducks Unlimited to control negative impacts of beaver impounded wild rice areas and increase the number of lakes managed for wild rice from the current 300 by 10% over the next two biennium.

Policy

We recommend that the DNR:

Public Relations, Recruitment, and Retention

- Significantly expand information and education about the cultural and natural resource values of this native grain to include increased efforts to recruit and retain wild rice harvesters.

Details on Lake Management

- Provide additional report details of lakes that receive active wild rice management in next year's report.

Wildlife Acquisition Account (2207)

This fund is funded through a \$6.50 surcharge on small game licenses and Lifetime Fish and Wildlife Trust Fund. At least 50% of the receipts must be spent on land costs. The remainder may only be used for other land costs, development, and maintenance of wildlife lands and associated activities. These expenditures also include development, preservation; restoration and maintenance of waterfowl breeding grounds in Canada Total expenditures for FY 16 were 1,529,464 which is slightly above average for the last four years. The DNR strives to keep a significant balance for future opportunities. The 2016 balance was \$917,070 which is lower than three of the last four years. In FY 2016 the DNR acquired 6,270 acres by purchase and gift, this compares to 6,147 acres in FY 2015.

Budget

It is recommended that the DNR continue:

- Continue its support of Ducks Unlimited Canada to support and improve duck breeding grounds;
- Continue its support the North American Waterfowl Management Plan; and
- Work with Minnesota's many conservation organizations to make more timely purchases of important wildlife lands, with an emphasis on the Prairie Core areas and Habitat Complexes.

Policy

- Continue to monitor this account to determine if supplanting of funds has occurred with monies from the Outdoor Heritage Fund. As stated in the original legislation, funds from the Outdoor Heritage Fund are not to supplant funds already normally coming from other funding sources;
- Forward our recommendation that the DNR, Governor and Legislature continue efforts to restore traditional funding from the general fund and/or through the Governor's Bonding initiative to bolster the DNR's ability to purchase critical habitat and lands for public recreation; and
- We also recommend that the Legislature not restrict the DNR through legislative law, such as no-net gain or other restriction, its ability to purchase critical habitat.

Wild Turkey Management Account (2208)

This account is funded through \$4.50 on each adult turkey license. The fund is governed by Minn. Stat. 97A.075, subd. 5. In FY2016, total receipts were \$201,011 and total expenditures were \$175,064.

Budget

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.

Account 2208 funds are distributed to the DNR Administrative Regions based on an allocation model which accounts for turkey habitat, turkey populations, and turkey harvest. The funds are used for turkey habitat work within each Region. The distribution to each Region for FY2016 was as follows: Northwest - \$19K; Northeast - \$1K; Central - \$105K; Southern - \$50K.

We recommend that the DNR:

- Keep this dedicated account for protection and management of turkey habitat; and
- Determine a target amount for an Account 2208 fund balance and manage the fund to maintain that target and meet program needs.

Policy

We further recommend that the DNR:

- Monitor, document, and provide information on the impacts of the destruction and loss of habitat affecting turkey populations and turkey hunting opportunities; and
- Establish a dialogue with conservation groups – in particular, the National Wild Turkey Federation – to leverage joint efforts to develop, restore, and maintain suitable habitat for wild turkeys on public and private land.

Heritage Enhancement Account (2209)

Revenue for this account is generated from in-lieu-of-sales tax on the sale of lottery tickets. Funds from the Heritage Enhancement Account (“HEA”) are involved with and may be used only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

We examined whether HEA funds were being spent for the activities specified in Minnesota Statutes 297A.94. Much of the monies of this account are involved with managing and maintaining the quality of natural resources for hunting and angling.

In FY 2017, projected HEA expenditures total \$14,429,000 of which \$8,167,000 are projected for those activities specified in 297A.94. Only 5 % of which can be spent on hunter and angler recruitment and retention. New initiatives include the implementation of the “I Can” series, and “Learn to Hunt” designed to provide affordable outdoor learning experiences to beginners. Unfortunately, projected expenditures for the FY 2018/19 Biennium will decrease to \$13,052,000. There being many reasons for this including no real change in sales of lottery ticket sales, which may be effected by broad based changes in the National Economy, expanding interest in Online Fantasy Sports Gaming, or simply differing engagement by younger generations. This is potentially problematic, in that the FY 2018/19 Governor’s Budget Request identifies a critical need for a 10% increase in expenditures related to the HEA account toward replacing the dwindling donations to the Non-Game Wildlife Fund.

The remaining balance includes monies for archery equipment for state parks, the “(National Archery in the School Programs) NASP 3-D” program, “Explore Bow hunting” programs, fishing equipment for state parks, The Angler/Hunter Grants Program, R&R marketing, and finally the “MinnAqua” Program.

Lifetime Fish and Wildlife Trust Fund (2210)

The Lifetime Fish and Wildlife Trust Fund account was established by the Legislature in 2000 in order to collect revenues from the sale of lifetime hunting and fishing licenses that could be used for fish and wildlife management programs. Revenues are generated from the sale of lifetime licenses as well as from interest and investment earnings on those revenues.

Funds collected from the lifetime license sales are deposited into the trust fund account. Each year, the DNR transfers from the trust fund account to the respective game and fish fund accounts an amount equal to the current annual license price for all licenses activated. The revenues are invested with the state investment board to receive the maximum return consistent with maintenance of the perpetuity of the trust fund.

The assumptions for sustaining the trust fund, as used in the original model to set policies, are 85% activation rate, 4% inflation of annual license fees, and 8% return on investments.

Budget

The full market value of the Trust Fund at the beginning of FY16 was \$18,905,584, including license sales, interest and realized and unrealized income. The revenue generated from license sales in FY16 was \$1,392,021, interest earnings were \$2,990, and investment earnings were \$872,439. The FY16 activations transferred out totaled \$630,015. The ending market value was \$20,543,018. For policy reasons, the investment income is not shown on the fund statement.

Average actual activation rates through License Year (Feb- March) 2016 are well below projections; average return on investments is 8.2%, driven in part by high performance in LY 2016; and average fee increase rate has been around 3%.

Findings

Funds in FY16 were transferred to their respective accounts per activations as required by policy.

All fishing lifetime license activations were deposited into Fund 2200 (G&F Fund Operations).

Current performance is on par, if not better than, original model assumptions.

Since model projections are linear, simple assumptions of constant rates of return, small adjustments in performance can cause great fluctuations in forecasted balances. That being said, current models show safe balances into the future assuming continuation of same or better market performance and fee increases. We find that DNR's revenue recognition procedures seem logical and the health of the fund is good. We also recommend that no action to transfer any of these funds to other purposes be undertaken.

Walleye Stamp Account (2202)

This account is funded via the \$5.00 received from the sale of each walleye stamp. Purchase of the stamp is currently voluntary. Pursuant to Minnesota Statute 97A.075 Subdivision 6, revenue from

walleye stamps must be credited to the walleye stamp account and is appropriated to the commissioner only for stocking walleyes purchased from the private sector in waters of the state.

Budget

Revenue and expenditure from FY2010 to FY2017 was provided to the committee. There was a legislative appropriation for \$25,000 in FY2010. There was an increase in the two years following the legislative appropriation, and since that time, there has been a steady decline.

Policy

The narrow confines of the account's purpose of "stocking walleyes purchased from the private sector in waters of the state" makes the fund bound to strict statute requirements. The option of buying from vendors other than the private sector, and the limited number of private sector vendors available caused some committee discussion.

The revenue for the fund is tied to stamp sales and those sales have been declining. Other FOC reports have addressed the decline in stamp sales and marketing effort suggestions have been discussed. The stamp is promoted through press releases, posts on Facebook, and as reminders to ELS anglers. The emphasis has been on no-cost efforts similar to other programs such as the non-game wildlife check-off. The Legislative appropriation in 2010 was used for posters at ELS locations.

Findings

We find that the money raised through sales, contracted, and spent, meets the narrow confines of the statute. The fund doesn't impact the larger budget since it is dedicated and directly tied to stamp sales.

Peace Officer Training Account

Findings

Money for this account was originally earmarked to increase diversity in Conservation Officers throughout the state. It can be used for any peace officer training. Total expenditures were \$64,905. This account supplements other funds necessary to complete required training.

It is disappointing that the retention rate is not better for candidates brought in to improve officer diversity. In spite of the COPREP initiative only four protected class officers were hired in 2016. Four will possibly be hired in 2017. A more cost effective program may be needed to have conservation officers mirror the diversity in society. The Fish and Game Fund should not bear the burden of the total costs of this worthwhile human resource program.

Wolf Management and Monitoring Account

Findings

Currently this account is funded by .50 cents from each deer license sold. Wolf license application fees and license sales dollars were added to this account for the two years MN was allowed a wolf hunting

and trapping season. The only allowable expenditures are for wolf management, research, damage control, enforcement and education. Total expenditures for FY 2016 were \$110,000, which is the shared amount used for Minnesota portion of wolf depredation expenses. Total receipts for FY 2016 were \$317,468.

Budget

It is recommended that the DNR continue to allow the account to grow in preparation for future expenditures when and if hunting and trapping seasons are reinstated.

Policy

- We support the DNR's efforts to return the management of the wolf back to the state.
- We support proposed legislation that eliminates the \$.50 surcharge from the deer license, currently deposited in the dedicated Wolf account, one year after a wolf hunting and trapping season has been in place.

Functions, Outcomes & Accomplishments

Fish and Wildlife – License Center Operations

The License Center handles the distribution of licenses, stamps, and permits required by hunter, anglers, trappers and commercial game and fish operators. Agents for the Electronic Licensing System (ELS) process approximately 99% of all transactions. More than 2.4 million licenses, permits and various transactions were handled through ELS generating \$58 million in revenue for the year. The License Center also handles harvest registration with about 50% of turkey and deer hunters taking advantage of this convenience. Minnesota is one of eight states in a pilot program to sell federal duck stamps electronically. Total expenditures were \$4,241,000. \$64,600,000 was generated through the sale of licenses permits, stamps, and license validation in this reporting period.

Budget

Expenditures and Revenues

- We support the user-funded operation of the license center, such as 10% of stamp sale use for license center operations and enhancements to provide sustainable funding for that operation.
- The WOC was concerned that there was an additional cost of obtaining a license online versus obtaining a license from an ELS vendor. However, an ELS agent and on line agent both receive a \$1.00 transaction fee. In addition, by statute, any agent can charge a 3% transaction fee.

Policy

Software and ELS System

We recommend that the DNR:

- Continue to explore license center software changes to consolidate paper for users who purchase licenses at different times;
- Consider taking the application in house. Building the application as well as managing the application. This would eliminate the % paid to the third party vendor;
- Consider expanding email addresses for ELS sales so license buyers are captured for future marketing needs;
- Continue to explore marketing and data collection opportunities during the sale of licenses, stamps, and permits;
- Ensure that the ELS System requires the sales associate to answer any voluntary donations and stamp purchase question posed to the customer before the final sale can be accomplished;
- Consider Mobile use for the application as an option, to not only provide access to buy, but to show license through the application, eliminating paper all together; and
- Consider self-service kiosks instead of the traditional POS system, eliminating the need for training

Ecological and Water Resources

Findings

The Committee finds that all FY 2016 expenditures from the Game and Fish Fund for work by the Ecological and Water Resources Division appear to be in keeping with statutory requirements and sound management practices. Actual expenditures for FY 2016 were \$2,226,635. Planned expenditures for FY are projected at \$2,604,365 (up slightly). FY 2018 expenditures are projected at \$2,463,000 (down from FY 2017).

Enforcement

The Enforcement Division provides more than 380,000 officer and staff hours per year devoted to the core functions of law enforcement, public safety, and education. Total expenditures were \$24,089,000.

Budget

The BOC supports additional funding for Conservation Officers to:

- Protect fish and wildlife habitat including any new responsibilities related to buffer enforcement;
- Deal with aquatic and terrestrial invasive issues;
- Ensure sustainable harvest of resources;
- Increase quality of life by ensuring safe and equitable outdoor experiences;
- Recruit and train youth and adults in outdoor activities;
- Ensure commercial activities are conducted in a sustainable manner; and
- Respond to citizen calls for service, search and rescue, and natural disasters.

We recommend that the DNR:

- Ensure retirement benefits are commensurate with the sustainability of that obligation to minimize future loss of overall enforcement efforts and impact to the Game and Fish Fund;
- Fine tune fleet turnover of low mileage support equipment to save money; and
- Provide the necessary funding so that the academy can provide officers to replace vacancies.

Policy

We recommend that the DNR:

Records System

- Include public information and enforcement contact measurements such as number and locations of license checks (anglers, ATV users, snowmobilers, hunters, and others) as well as outreach numbers such as firearms safety, snowmobile and ATV certifications, college class presentations, and other outreach efforts); and
- Research alternatives that can be used with the new records management system to help determine overall compliance rates for hunters and anglers to better target information, education, and enforcement efforts.

Strategic Plan

- Continue to maximize use of officers for saturation activities such as Lake of the Woods or other areas of highly concentrated natural resource activities;
- Implement the strategic management plan;
- Schedule officers to cover specific times to reduce overhead (such as overtime) and provide adequate area coverage. This is important to consider as part of a more comprehensive package of delivering effective enforcement, allowing officers with more undisturbed personal time, and controlling long-term cost obligations;
- Explore and develop new strategies to make conservation officers more available to the public; and
- Streamline safety education programs by standardizing course delivery options, fees, and requirements.

Firearms Safety Training

- Monitor benchmark success between online and classroom course students via record keeping for pre-field day retesting;
- Maintain a firearms safety field day as an integral part of the training;
- Recruit additional firearms safety instructors to keep up with the student demand; and
- Ensure firearm safety training is offered in a timely and geographically distributed manner.

Parks and Trails

The Game and Fish Fund Report, 2016, describes Land Acquisition and development, and Fishing Pier and Shore Fishing Facilities activity (pages 77-78) which appear to be funded by separate funding sources and managed as separate programs with different missions. Parks and Trails is given two separate tasks, each requiring a separate focus.

Land acquisition for public boating access

The Report notes that Minnesota is “ranked third in the nation for the number of registered boats” and that “Game and Fish funds are used primarily to improve the quality of public water access facilities throughout the state.” The stated goal of the land acquisition program is to “acquire lake and river shoreline property that will improve existing boat access or provide access where it is inadequate.”

Only two acquisitions for improved boat access are listed – Lake Waconia boat access development and a very small Rat Root River carry-in access.

Development

The Report states that the goal is “to improve and/or expand new and existing sites...” It lists twelve accomplishments, primarily improving existing sites for traffic and boat access and only one involving a dock (Lake Vermillion). Only three of these appear to involve partnerships with local government entities.

Fishing pier and shore fishing facilities

The Report states “the goal.....is to provide people with safe and convenient places to fish. A focus on replacing ageing piers is limiting the number of new facilities...added to the system. Parks and Trails Division maintains 80 facilities on state owned lands and has 288 facilities with local government unit partners...total of 368 facilities.”

Budget

It appears that utilization of the dollars acquired through the state-federal funding arrangement is being managed appropriately. As projects come on-line, they are correctly funded and acted upon.

Policy

Findings and recommendations:

- Top-level management should give more emphasis to a broader vision for access development in the future, to include more quality shore fishing opportunities. This can be accomplished by:
 - More cleared areas along lakeshores and stream easements (includes warm water easements);
 - Adding more concrete or rock fishing areas; and
 - Providing access for youth and seniors alike;
- Efforts to recruit youth and adults without boats will be short-lived if they do not have a place to fish;
- Notwithstanding the anticipated shortfall in funding, the Committee believes that stronger advocacy is needed for a share of funding dollars, from any source available, to increase the number of shorefishing opportunities statewide;
- Partnership with local government entities should be reviewed to ensure the DNR encourages, to the extent possible, that the local entity develop their own access, whether for boating or for shore fishing;
- The strong departmental focus on land acquisition for primarily boating access sites may be unfair to a large portion of the fishing-license buyers who may not have access to a boat;
- Five of the seven reported pier accomplishments indicate that there was local government partnership.
 - Cost sharing efforts such as these reduce overall impact to the Department budget and they should be encouraged in the future
 - As much as possible, local entities should agree, in advance, to support a portion of the maintenance but not at the expense of providing quality experiences.
- Very successful programs such as “FIN” are limited to promote fishing in a seven-county area
 - It does not include increasingly-populated Wright County
 - More importantly, there is no counterpart for this program in outstate Minnesota.
 - The DNR is a state resource – although the parameters for delivery of access may be different, rural communities deserve the same consideration as metro communities.
- MinnAqua, while more statewide in focus, is limited also to certain locations in the state.
 - Currently there are only 2 outstate locations, New Ulm and Duluth
 - The Duluth position is currently vacant.

Forestry

Wildlife Management Areas are state properties held in fee title with custodial control by DNR Wildlife. With the primary goal of management for wildlife, many decisions regarding forest management are made. The Forestry Division provides many services to the Section of Wildlife. Classification and assessment of forest types using the Ecological Classification System (ECS) is needed to provide the information for sound decision making for management. Rotating forest age classes to provide diversity is a proven method and strategy to achieve designated wildlife goals. State foresters set up timber sales, mark boundaries, map, cruise, develop contracts, administer, and supervise the sales. Those staff costs directly support the management for wildlife. The costs are passed through wildlife and paid by the game and fish fund. Pulp and timber products are a secondary benefit to the wildlife benefit on these lands.

Forestry, of course, manages state forest land in support of the forest products industry. The benefit to wildlife through proper forest management is immense but secondary to this primary purpose.

The fluctuation in market demand drives the level of activity. The sustainable capacity for production is no problem; rather, aging forest in need of harvest is the management challenge. The game and fish fund cannot afford to pay for harvest in the absence of a market. A strong market is the manager's dream. A lot gets done then, weather permitting.

We recognize that these costs are somewhat variable but appropriate. More harvest would be desirable for wildlife management but depends on a viable market.

Budget

We recommend that the DNR:

- Find alternative funding for the terrestrial invasive species program, not game and fish fund;
- Seek federal reimbursement for overhead and operations expenses for all forest management activities on WMAs (e.g., Pittman-Robertson); and
- Reduce department services charge for forestry from the game and fish fund.

Lands and Minerals

The Lands and Minerals Division manages real estate transactions on state land and state mineral rights. The division is responsible for land surveys and managing real estate transactions on game and fish lands. Expenditures for the Land Records System in FY 2016 were \$333,000. It does appear that the Land Records System is now providing useful data to be able to assess and improve the land acquisition process. Additional charges of \$1,272,000 from the Game and Fish Fund were paid for real estate services to the Division of Lands and Minerals.

Budget

We recommend that the DNR:

- Provide a longer term estimate (currently at \$344,000 per year – an increase from the 2015 projection) to maintain the land records system and examine how these costs can be effectively limited from the Game and Fish Fund; and
- As recommended previously, continue to explore funding options in addition to the stewardship endowment fees for ongoing monitoring of conservation easements.

Policy

We remain very concerned with the pace and number of acquisitions, both easement and fee title. We request that the DNR further evaluate the processes used in acquiring easements and fee title lands and make additional improvements, including recommendations for legislation to amend statutes, to further expedite the process, and significantly reduce the length of transaction times. Any acquisition that takes than one year should be considered unacceptable. Private market transactions take substantially less time, and the due diligence in private transactions is no less necessary than in public transactions.