

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 2014

July 2015



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Game and Fish Fund Budgetary Oversight Committee

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

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Subject:

RE: Budgetary Oversight Committee Report on FY 2014

Commissioner, Senators and Representatives:

I am pleased to present the Fiscal Year 2014 report of the Game and Fish Fund Budgetary Oversight Committee (BOC).

The BOC and its two subcommittees determined that FY 2014 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,

A handwritten signature in black ink that reads "John Hunt". The signature is written in a cursive style with a large, looped initial "J".

John E. Hunt, Chair
Game and Fish Fund Budgetary Oversight Committee

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Introduction

Background

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

This report was approved by the BOC by an email vote completed on July 20, 2015.

Top findings and recommendations

All FY 2014 expenditures from the game and fish fund reviewed appeared to be in keeping with statutory requirements and sound management practices.

The BOC requests a written DNR response on the following top recommendations.

The top recommendations of the FOC this year are:

- F-1 We recommend that the DNR further evaluate the processes used in acquiring easements and fee title to determine whether further improvements can be made to expedite the processes, produce measurable reductions in time, and increase the number of overall acquisitions.**
- F-2 We recommend that the DNR resume its former practice of requesting bonding dollars and other traditional sources of funding for the development of new or replacement fishing piers, platforms and other developed shore fishing areas. We recommend that additional dollars above and beyond Legacy funds be aggressively pursued by the DNR to reduce the backlog of projects and to provide additional piers and developed shore fishing opportunities statewide.**
- F-3 We recommend that the DNR ask the legislature, and the legislature approve, an increase in the fees paid to the DNR by private fishing contests in order to substantially narrow the gap between DNR expenditures related to managing these events and revenues collected from the event organizers.**
- F-4 We recommend that funds from the trout and salmon management account, especially the large balance being carried forward over the past few years, be utilized for trout stream easements whenever opportunities for acquisitions in priority watersheds are available and might otherwise be lost due to interruptions in other funding sources.**

The top recommendations of the WOC this year are:

- W-1 We strongly support the partnership of conservation leaders to implement the Prairie and Grassland Conservation Plan in concert with the priority recommendations that came out of the 2015 Pheasant Summit. Integral to this effort is stringent enforcement and expansion of buffer requirements to improve water quality and wildlife benefits throughout the agricultural zone.**

- W-2** We support completion of a deer management plan within the next year following an aggressive timetable for population modeling and public involvement. The mandated legislative audit may slow that process, but developing strategies to increase the size of the deer herd to improve hunter satisfaction and other inherent deer hunting traditions, and values is both urgent and imperative.
- W-3** We support additional funding for the Enforcement Division to fully implement their strategic plan to protect fish and wildlife habitat, deal with aquatic invasives, and other laws, rules, and regulations and public services. Integral to this effort are officers with intimate knowledge of hunting, angling, trapping and other outdoor recreational pursuits.
- W-4** We support continued land acquisition and other habitat protection and enhancement programs in the prairie pothole region of the state. These lands are critical for providing opportunities for hunters, trappers, and other recreationists, improving water quality, reducing severity of flooding, and related prairie, wetland, and grassland benefits.
- W-5** We support a walk-in access type program to expand opportunities for hunting and angling and recommend that additional funding strategies be developed to sustain this program.

Expenditures by DNR Program

The comments and recommendations that follow do not require a written response from the DNR unless listed in the preceding introduction. They will get follow-up and discussion in future oversight committee meetings.

The FOC focused its review on the following areas of the FY 2014 game and fish fund report:

- Fish Management
- Walleye Stamp Account
- Trout and Salmon Management Account
- Ecological and Water Resources
- Parks and Trails
- Forestry
- Lands and Minerals
- Statewide Indirect Costs
- Heritage Enhancement Account
- Lifetime Fish and Wildlife Trust Fund

The WOC focused its efforts on the following areas of the FY 2014 game and fish fund report:

- Wildlife Management
- Outreach Section
- License Center Operations
- Enforcement (along with BOC discussion)
- Parks and Trails
- Lands and Minerals (along with BOC discussion)
- Dedicated Accounts related to wildlife
- Peace Officer Training Account

Fish Management

Budget

All FY 2014 expenditures from the game and fish fund for Fisheries management appeared to be in keeping with statutory requirements and sound management practices.

Fish culture and stocking – private hatchery disease testing

The report lists \$150,000 spent on “private aquaculture.” We requested detail regarding how the allocation was expended, including the number of private aquaculture facilities visited and the frequency. The DNR indicated that it monitors private aquaculture to prevent public aquatic life from entering an aquatic farm; prevents the release of non-indigenous or exotic species into public waters without approval of the commissioner; protects against release of disease pathogens into public waters;

protects existing natural aquatic habitats and the wildlife dependent on them; and protects private aquatic life from unauthorized taking or harvest.

- We agree and find that this monitoring is needed to protect the state's fisheries resources.

The DNR indicated that the expenditures for monitoring of private aquaculture listed under population management were based on time coding by DNR's Aquaculture and Fish Health Consultant and area/regional fisheries staff. This coding indicated the job duties related to license review and issuance, answering questions specific to licenses, writing permits, attending meetings, etc. We sought to determine whether the revenue generated from the aquaculture fees charged was adequate to cover the expenditures. However, DNR's responses mixed testing expenditures with license administration and revenues, and staff indicated there were errors in cost coding related to both licensing and testing which made the figures impossible to interpret at this time.

- We were not able to determine whether fees charged to private aquaculture for the DNR effort (which private aquaculture's activities necessitated) were adequate to cover GFF expenditures. We will examine this issue further in 2015-2016.

Fish culture and stocking – private vendors

- We examined the cost of purchasing fish for stocking from outside vendors. We find that generally they are reasonable in light of the species, sizes, and locations stocked.

Fishing tournament expenditures and fees (revenue)

We examined the revenue charged for fees for private fishing tournaments as compared to the associated expenditures. DNR expenditures appear necessary and reasonable in order to protect the resource for the public. However, the fees charged tournament organizers are not adequate to cover DNR's costs. Over the past three years, revenues from the permit fees have consistently been less than one-half the actual cost of managing these private tournaments. We believe that the general angling public should not bear the cost of private fishing tournaments, but rather the organizers and participants should bear all the costs.

- **We recommend that the DNR ask the legislature, and the legislature approve, an increase in the fees paid to the DNR by private fishing contests in order to substantially narrow the gap between DNR expenditures related to managing these events and revenues collected from the event organizers.** Average anglers and fishing license buyers should not continue to bear the cost of these private events. Since current fees cover approximately half the actual costs to DNR of managing these events, we recommend that fishing contest fees be doubled. We recommend that the legislature double the fees for private fishing contests in order to narrow the gap between DNR expenditures and revenues, so that the average angler does not bear the cost of these private events.

Policy

Habitat management

Acquisition of Aquatic Management Areas (AMAs). The DNR worked with stakeholders using a lengthy planning process to develop an acquisition plan for AMAs, published in October 2007. Minnesota's Aquatic Management Area Plan 2008–2033 calls for accelerated acquisition of both lake and stream easements and fee title. We tried to determine whether the level of funding from traditional sources such as the GFF, trout stamp, and bonding has increased, stayed the same, or decreased. Incomplete and some apparently erroneous information provided to us have made this difficult to determine. We need additional detailed information before drawing any conclusions so we will revisit this issue in 2015-2016.

Mille Lacs Lake Management

The management of Mille Lacs Lake is one of the top issues concerning the Fisheries Section and anglers today and looks to continue to be so into the near future. The data collected certainly supports the conclusion of the Fisheries Section that young walleyes are not making it to adulthood. We reviewed the data and feel the conclusions are sound, and the DNR has done a good job of presenting the data to the public. However, we recognize that many stakeholders are very concerned over tribal netting. Even though the science shows netting has very little effect on the reproductive success of walleyes in the lake and no effect on the survival of young walleyes to adulthood, many anglers cannot get past this issue. As a result, many of these anglers view the DNR in a negative light, blaming it for tribal harvest during spawning time, even though this harvest is a matter of federal legal decisions.

- We feel that continued funding for the extra workers, annual creels, and lake surveys specific to Mille Lacs Lake is important to the recovery of its walleye fishery.
- We encourage the DNR to continue its public outreach, including utilization of the Mille Lacs newsletter and regular town hall meetings, to further explain the issues as they develop.

Wildlife Management

The Wildlife Section manages 1,430 wildlife management areas (WMA) totaling more than 1.3 million acres. Over 50 wildlife species are managed through regulated harvest and these efforts provide opportunities for 575,000 licensed hunters. Game expenditures relate to five core functions: habitat management, population management, education and outreach, planning and coordination, and division support. The total FY 2014 expenditures for Wildlife Section activities including dedicated funds and heritage enhancement funding is \$29,816,000.

Budget

Habitat Management Expenditures

- There is a concern that expenditures for habitat management decreased to \$13,670,000 from the previous year of \$19,055,000. The concern is expressed in wetland habitat work where \$2,510,000 was spent from the game and fish fund in FY 2013 and only \$1,169,000 in FY 2014.
- Interagency technical guidance that state it includes urban wildlife management and wildlife values should be described more accurately such as nuisance animal issues.
- Examine whether Lessard-Sams Legacy funding is supplanting bonding for land acquisition and management

Fund Sustainability and Equitability

- Continue to make incremental adjustments to align wildlife generated license revenue more closely with wildlife expenditures. We prefer that the gap be closed by 2-4% over the next three biennia. Total wildlife management expenditures are less than they were in FY 2011.
- Develop a strategic plan to address sustaining hunting license revenues including all stamps and fees to keep up with inflation.

Infrastructure

- Place a higher budget priority on upgrading WMA infrastructure: roads, access signing, mowing of camping and primitive access areas, boundary signing, gates, and other structures.

Customer Service

- Enhance response rate for wildlife inquiries at area offices for technical assistance, unit orientation, enhancing hunter experiences, up-to-date information on opening and closing gates for hunters, anglers, and bird watchers and other citizen inquiries through such things as improved voice messaging, signing in at key access locations, and use of technology (such as roll-over calls).

Prairie and Grassland Management

- Implement the priority objectives of the Pheasant Summit including mandatory enforcement of existing buffer laws.
- Support new buffers initiatives to slow runoff and filter contaminants by incentivizing farmers and other landowners.
- Support holding agricultural producers to the same standards dealing with soil and water quality as any other business or corporation.
- Assist in providing leadership to establish standards for sustainable farming similar to the forest certification program in the forest products industry.
- Meet with large users of agri-business products (such as General Mills, ConAgra) to promote purchase of only those agricultural products grown from sustainable farming operations that return more grass on the landscape and maintain or enhance soil health and water quality.

Wolf Management

- Seek to restore management of wolf populations to the state.
- When state management is restored, the expenses of wolf management (enforcement, direct research, population census, administering regulated hunting and trapping) should be completely presented in the next report so we can better understand the resources needed to manage wolves in Minnesota.
- Once a more complete budget for all DNR led wolf activities is available, the DNR should work with the legislature to develop a structure to cover wolf management costs better.

Walk in Access Program

- Prioritize existing lands to optimize the quality of hunting opportunities.
- Develop an implementation timeline to expand the program beyond the current number of counties to key areas in south central Minnesota that are rich in potential to increase bird populations per the pheasant plan.
- Provide requests to all eligible state and federal programs in concert with user fees to sustain increased program acreage in future years.
- Provide an avenue for voluntary landowner enrollments.

Policy

Strategic Unit Direction

- Complete one pilot WMA planning project in each region by August 2016 that fully describes management strategies and desired future conditions on major units and WMAs. Operating standards and desired future condition plans are needed to optimize game management on WMAs for habitat, winter cover, grasslands, and wetlands, and food plots where appropriate, to improve hunter experiences and management consistency of WMAs across landscape regions. This is especially important as many long time unit and area wildlife managers retire.
- Ensure that infrastructure, programming, and activities comply with all applicable accessibility requirements and provide additional opportunities for an aging and population of all ability levels.

Buffers and Related Conservation Measures

- Mandate compliance with the state required 50-foot buffer strips along Minnesota protected watercourses. Pursue enforcement actions or withhold state aid to counties to gain landowner support.
- Support the new governor's initiative for all riparian areas not previously covered by buffer rules. Seventy percent of croplands are missing the required buffer strips. Additional compliance will promote increased water quality and additional wildlife habitat on private lands.
- Continue to support use of staff and resources as an agency priority for interagency implementation teams for the prairie conservation plan.
- Collaborate with the Department of Agriculture to expand the Water Quality Certification Program in other watersheds (at least six watersheds per year).

Facility Management

- Place a priority on upgrading WMAs: roads, access signing, mowing of camping and primitive access areas, boundary signing, gates, and other structures to improve the image of the units.
- Regarding access management, it would be helpful if ADA initiatives were defined in the annual report.

Wildlife Management Area Habitat

- Accelerate restoration efforts on prairie, oak savanna, wetland, and woodland landscape to enhance habitat for game animals.

Walk-in Access

- See priority issue (W-5) with only 2% of the land in the agricultural zone available under public ownership, it is important to have a program that expands hunting opportunities on private land.

Small game

- Continue actively monitoring squirrel and rabbit populations.
- Continue to provide grouse research, appropriate forest management, and hunter access, trails, and signing for nationally recognized ruffed grouse coverts and resultant populations.

Outreach Section

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. Total expenditures within the Fish and Wildlife Division were \$1,710,000.

Budget

Context

- Provide an estimate of all hunting and angling outreach efforts and related activities by DNR staff to go along with the \$1,710,000 identified in the separate Outreach section.

Policy

Overall Public Relations:

- We recognize that DNR is conducting numerous efforts to improve the marketing of the entire fisheries program. This is occurring not only via social media but also with releases, MinnAqua, the Conservation Volunteer, etc. These efforts should continue and be expanded. Funding is always a challenge but the return on the investment is likely worth the effort.
- Additional effective information and education delivery is needed to improve the image of the DNR for rank-and-file hunters, anglers, and all Minnesotans.

Archery and Shooting Sports

- Continue the highly successful Archery-in-the-Schools program. As program participation increases, provide additional funding as needed.

- Provide additional support for shooting sports (trap, et al.) with appropriate funding mechanisms to support or enhance expansion of the program.
- Provide a participation trend graph for shooting sports (high school trap and scholastic clays) in next year's report.

Recruitment and Retention

- Implement strategies developed by the newly formed hunter recruitment and retention work group.
- Develop and support youth after school sporting clubs.
- Implementing angler and hunter marketing campaigns targeted at adults.
- Deliver "learn-to" fish and hunt skills programs & workshops for adults.
- Provide family-oriented hunting and fishing sampler events.
- Create a web-based recruitment/retention clearinghouse.
- Promote a reverse mentoring program.

Critical Habitat Plates

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

Wild Rice Heritage

- Expand marketing efforts to promote wild rice management, participation, and harvest.

Alternative media

- Consider development of a video/cable ready program or social media venues/activities to create a more positive image of DNR conservation and outdoor recreation initiatives.

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 \$4,198,000.

Budget

Expenditures and Revenues

- A noticeable improvement was made in the FY 2013 report for tracking license and stamp revenues as well as additional detail of the cost of license center operations.
- 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.

Policy

Software and ELS System

- Continue to explore license center software changes to consolidate paper for users who purchase licenses at different times.
- Continue third party handling of the day to day operation of the ELS system
- Examine the disparity between the \$3.50 on line fee versus the ELS vendor fee of \$1.00 per license and 25 cents per deer registration.

Ecological and Water Resources

We reviewed the expenditure in FY 2014 of game and fish fund by the Ecological and Water Resources Division, as well as outcomes. We find that all FY 2014 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.

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 \$21,156,000.

Budget

Support 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.
- Support economic opportunities, ensuring commercial activities are conducted in a sustainable manner.
- Respond to citizen calls for service, search and rescue, and natural disasters.

Cost Management

- 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.

Vacancies

- Increase funding so that the academy can provide officers to replace vacancies.

Policy

Records System

- Include public education contacts, locations, and outreach numbers (such as classes for ATV, snowmobile, and firearm safety) in the new records management system.
- Continue to maximize use of officers for saturation activities such as Lake of the Woods or other areas of highly concentrated natural resource activities.
- Include public information and enforcement contact measurements such as number and locations of license checks (anglers, ATVers, snowmobilers, hunters, and others) as well as outreach numbers such as firearms safety, snowmobile and ATV certifications, college class presentations, and others).
- 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

- The division is beginning to implement its strategic planning effort. It helps lay out options for a new model for accomplishing enforcement in the 21st century, such as scheduling officers to cover specific times to reduce overhead (such as overtime). 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.
- Streamline safety education programs by standardizing course delivery options, fees, and requirements

Parks and Trails

We note the division has a new system plan. We intend to review it next year in connection with these findings and recommendations.

Budget

Freshwater Boating Access sites

- In past years, we have expressed concerns that funds were not being spent expeditiously to acquire and develop public boat accesses and provide adequate shore and pier fishing opportunities statewide. There was also a concern that federal dollars were in danger of being lost because of the lengthy process to complete these acquisitions.
- At the beginning of calendar year 2015 there was approximately \$3.1 million as a carryover cash asset in the boating access account with an additional \$1.3 million being apportioned for 2015. These were all federal dollars. The Parks and Trails Division reports that by the end of 2015 this account will be spent down to slightly less than \$1 million. We note that this is due to new coding so that these funds can be spent on maintenance of existing accesses. Of this amount, only \$858,000 will be used to complete the development of three additional accesses and an

additional \$825,000 for one acquisition. This is one strategy to ensure that the federal dollars are spent. However, we believe the DNR should consider placing more emphasis on acquiring new boating access sites.

Fishing Piers and Lakeshore Access

- Parks and Trails Division reported that the state is responsible for maintaining 80 of the 365 total fishing piers. The maintenance of the balance of these piers are funded in partnership with Local Governmental Units (LGUs). Staff indicated that this year \$146,000 was spent of the \$154,000 total funds available. We find that the division is making good use of the dollars allocated and are spending the funds in accordance with statute.

Policy

Boating access

- While we agree that accesses are in need of maintenance, it seems that it would be more prudent to obtain maintenance fees from other funding sources and use the federal grants for acquiring additional accesses, especially in underserved areas and lakes. We also understand that, with current spending levels and expected revenue, the water recreation account is likely to go negative in the next calendar year. We share the DNR's concern over this and realize that this is the reason the DNR is asking for a portion of the revenue from the gas tax increase to be utilized to offset this potential cash flow problem.

Fishing Piers and Shore fishing Access:

- We recommend that the DNR resume its former practice of requesting bonding dollars and other traditional sources of funding for the development of new or replacement fishing piers, platforms and other developed shore fishing areas. We recommend that additional dollars above and beyond Legacy funds be aggressively pursued by the DNR to reduce the backlog of projects and to provide additional piers and developed shore fishing opportunities statewide.

Even though the DNR is very deliberate with the small budget they have, we are concerned that not enough dollars are budgeted for this effort. There currently exists a need for over \$1.75 million for 30 potential projects. It appears that no requests from traditional sources of funding for shore fishing accesses have been made over the past five years. Staff indicated that these types of fishing pier access projects have been given lower priority in accessing bonding and ENRTF dollars. As populations diversify, many anglers or potential anglers will not have access to boats or storage. Resorts are declining in number in certain regions. Quality shore fishing will be an increasingly important means of recruiting and retaining anglers.

Forestry

The Forestry Division administers 4.2 million acres of forestlands. The majority of this land is open for hunting and serves as vital habitat as almost one-third of the state's "species in greatest need" inhabit forests or forestlands. Of the 4.2 million acres, however, only 40,376 acres were harvested in FY 2014. Although the game and fish fund contributions to the division primarily support the Ecological Land Classification (ECS) Program and control of invasive species, it appears that more acres per year should be harvested and/or regenerated. Total expenditures were \$1,135,000.

We reviewed the total costs (from all funding sources) of the ECS program on state-administered forestlands since 2008. The Forestry Division administers 4.2 million acres of forestlands, and approximately one million additional acres of wildlife and fisheries managed lands fall under the ECS system. The report raised questions as to whether heritage enhancement account (HEA) funds alone were funding this effort and whether other non-GFF accounts should also be used, given that the end product is utilized by Forestry and other divisions besides Fish and Wildlife. While we confirmed that HEA funds have been the sole source of funding for Forestry's work on the ECS, we find that HEA funds are an appropriate means of funding this work and that the legislature has decided that this funding stream source should be tapped for this effort.

We examined how these dollars are being used and the benefits for fisheries and wildlife resources. The DNR has determined on a top-level review that the overall allocation for the ECS will result in long term benefits to not only forest managers but also as fisheries and wildlife managers. We agree that this form of ecosystem-based evaluation has benefits for the long-term viability of the resource. We find that these expenditures of HEA funds are appropriate and justified, and that the continued development and expansion of the ECS system is very valuable, including for fish and wildlife managers. Until such time as general funds are appropriated for the ECS system, HEA funds appears to be the only source of stable funding available for this valuable work.

Charges to the game and fish fund for services by Forestry Division staff, such as timber sales and consultation, are billed at a rate that appears to be based upon actual costs to the division.

Budget

Revenues

- Continue to seek ENRTF dollars additional funds from LCCMR to supplement game and fish fund allocations for the invasive species program that is critical for protecting forest habitat.
- Apply (or continue to apply) for federal reimbursement grants for all forest management overhead and operational activities on WMAs to save the game and fish fund for other habitat management activities.

Expenses

- Analyze and seek to reduce the 16% department services charge from Game and Fish Expenditures for forestry (for example, Lands and Minerals charges 9% of total expenditures for department services).

Policy

- Increase harvest on state owned land of an additional 10% from the current 40,000-acre effort to enhance habitat for forest wildlife, while preventing any deleterious impacts to aquatic resources.
- Continue to provide additional contract options so smaller logging operators can participate in greater forest management activities by conducting sales for a variety of cordages.
- Consider forest management in southeast Minnesota that helps sustain a bobwhite quail population.

Lands and Minerals

The Lands and Minerals Division manages real estate transactions on 5.7 million acres of state land and 12 million acres of state mineral rights. The division is responsible for land surveys and managing real estate transactions on game and fish lands. Expenditures for the Land Records System (LRS) in FY 2014 were \$634,884.

Budget

Cost Containment

- The concerns over cost increases of the LRS software and hardware are ongoing.
- Provide a longer term estimate (currently at \$326,000 per year) to maintain the new lands records system and examine how charges to the game and fish fund can be minimized .

Policy

Game and Fish Report Outcomes

- Improvement is desired in providing outcomes for the next Game and Fish Fund report (such as adding acres or miles) in the table listing Game and Fish land surveys that were completed in the year. Include numbers of land transactions, closings, etc.
- Continue to implement administrative improvements, such as streamlining RIM processing and payments.
- Continue to explore ways of streamlining the acquisition process to reduce both the time and cost of the state acquiring high quality lands for management purposes. Report to the BOC on time and costs from Fact Sheet to Closing of individual parcel transactions.

Acquisition procedures/timeliness

- The DNR has been working to enhance the efficiency of the section. Lands and Minerals has made good progress in the past two years. However, it still seems to take excessively long to process a simple real estate transaction, especially when compared to timelines in the real estate industry. We remain concerned that the slow process of acquisition transactions may lead to lost opportunities to protect important lands and water resources.
- We recommend that the DNR further evaluate the processes used in acquiring easements and fee title to determine whether further improvements can be made, which will expedite the

processes and result in measurable reductions in time and an increase in the number of overall acquisitions.

Fees for Record Systems

- We find that development of the system is essentially complete and that the allocation of ongoing maintenance costs from the GFF appears reasonable in light of the number of real estate documents being managed (versus raw acres in the system). No further investigation is necessary for 2014-2015.
- Verify for the BOC in 2015-2016 that the software enhancements designed for tracking Conservation Easements are completed and operating well. This may require budgeting additional funds to expedite the enhancements.

We asked fact-finding questions regarding the charges to the GFF for the development and now maintenance of the LRS. The cost to the GFF to develop the LRS, given the relative amount of acres of Wildlife, Fisheries and EWR administered lands as compared to the number of acres of state administered land and acres of state mineral leases, raised questions whether the GFF was paying a disproportionately high share for this work.

We examined:

- The total costs of system development from all sources
- What other sources of funding besides Game and Fish Fund operations were used for this development effort
- The types of uses and benefits that divisions other than Fish and Wildlife get from this records system
- Any future charges expected for development and ongoing annual maintenance and operation costs
- Ability of the LRS to track conservation easements

All questions were answered satisfactorily by the DNR.

Statewide Indirect Costs

Statutory requirements that each fund provide support for services provided by MMB, Administration, and Office of Mediation Services, the Legislative Auditor and State Auditor. Total expenditures were \$1,189,000.

We asked fact-finding questions regarding the allocations for the Statewide Indirect Costs. Our questions included how allocations are determined and the processes of the division between Fisheries and Wildlife and the timing of the allocations. All questions were answered timely and with specific details from the DNR.

- We feel that the allocations, processes and timing is reasonable and no further research is necessary.

Operations Support

The Operations Support Division provides administrative support for budget management, infrastructure management such as fleet and engineering services, communications and outreach, and human resources. This division is funded through professional service type agreements that are made with the other divisions who receive a mix of funds from dedicated funds, general fund, bonding, and other sources of revenue to cover those expenses. Operations support also includes costs associated with the Commissioner's office and four regional offices.

Budget

Transparency of Total Support Costs

- There was continued improvement in the transparency of this cost center in the 2014 report by including department service costs in each accounting area. The total overhead service costs to run the DNR are much more readily identifiable than in past years. Develop budget options for operations support consistent with division requirements for cost control strategies.

Policy

- Outcomes are needed in the next report e.g. number of land transactions, number of fact sheets, closings, and appraisals, acreage, etc., under either the Operations section or preferably the Lands and Minerals section.

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 spending authorization is \$1,823,000.

Budget

Deer Feeding:

- This portion of the account should receive strong consideration to be eliminated with the revenue transferred for cervid health.

Account Focus and Transparency:

- Develop a separate cervid health management sub-account to better track costs of myriad disease and big game population limitations.

Licensing

- Since no expenditures were needed for computerized licensing in FY 2012 and FY 2013, evaluate the need to maintain that portion of this account.
- Build licensing costs into the costs of establishing any new seasons rather than maintaining a separate account.

Policy

We strongly support the DNR's science-based efforts to manage big game populations.

Deer

- Support the accelerated timetable to establish new deer population goals.
- Consider the best venue to expand information and education about deer management and goal setting. For example, provide a footnote in the hunter synopsis and/or permit area map directing people to the website for detailed information.
- Develop a deer management plan that sustains an annual harvest in line with updated population modeling for +/- 200,000 animals over time.
- Continue to seek diverse input on population goals and management strategies.
- Eliminate deer feeding and utilize the funding for cervid health issues and concerns.

Moose

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

Elk

- Update the elk management plan to determine opportunities to increase the population.

Bear

- Continue to manage licenses for bear hunting through lotteries, surplus permits etc. and do not provide any off the top guaranteed licenses to any constituents, organizations or individual guides.
- Evaluate the need to license guides for other game animals in addition to bear such as for deer, moose, elk, and wild turkeys.

Deer Management Account (2202)

Revenue for this account is provided by \$2.00 from the sale of each annual deer license and \$2.00 from each validated lifetime deer license. Total spending authorization for FY 2014 was \$2,154,000.

Budget

Geography

- The geographical breakdown of the account is roughly 1.3 million dollars: Region 1-\$400K; Region 2-314K; Region 3-\$124K; Region 4-217K; and Central Office-\$246K.

Policy

Management Plan

- Complete a deer management plan within the next fiscal year.

Audit

- Provide state auditors or their designee for the legislative mandated deer management audit with all deer modeling and other management data so the audit can be completed in a thorough and timely manner.

Waterfowl Habitat Improvement Account (2203)

This account is funded through a \$7.50 annual stamp that is required by all waterfowl hunters 18 years of age and older. Money from the account may be used for development of wetlands and lakes through habitat evaluation, construction of control structures, nest cover, rough fish barriers, and management of migratory waterfowl, restoration, maintenance, and preservation of waterfowl habitat. Spending authority in FY 2014 was \$1,076,000.

Budget

Inflation Costs

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

Policy

Changes and innovation

- Support the recent expansion of hunting opportunities for open water layout shooting, earlier season within federal season framework for increased teal/wood duck harvest opportunities, ½ hour before sunrise opener, and other expanded opportunities that enhance hunter recruitment and retention efforts.
- Continue the waterfowl youth opener for recruitment of the next generation of duck and goose hunters.

Season Framework

- With the expansion of opportunities for harvesting Canada geese, snow geese, and an earlier start to the regular season, we are not in favor of an additional special early teal season. Concerns are potential interference with Youth Waterfowl Day, concerns over hunter-bird identification for a teal only season and the potential negative PR 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 DNR's conservation goal is 12,000 acres, with some stakeholders desiring a higher target.
- Accelerate enhancement of 1,800 shallow lakes for waterfowl migration habitat. Examine another model to speed up this management activity.

Trout and Salmon Management Account (2204)

Budget

Fund Balance

The account continues to carry a balance far greater than the amount that DNR has indicated must be maintained for cash flow purposes (\$75,000). The account balance has been increasing for at least the last three years, from \$403,000 to \$451,000 to \$545,000 and growing. During this same period, area fisheries managers were told that no money was available for purchasing trout stream easements, despite the fact that trout and salmon stamp funds are a traditional source for these acquisitions.

- Several opportunities to acquire trout stream easements were dropped or not pursued in a timely way because of this unwillingness to expend available funds from the trout and salmon management account. We find such lost opportunities to be unacceptable.
- The DNR worked with stakeholders to develop an acquisition plan for AMAs, including trout stream easements, which was completed and published in October 2007. Minnesota's Aquatic Management Area Plan 2008–2033 calls for accelerated acquisition of new trout stream easements at the rate of 100 miles per year from 2008 to 2017. While some supplemental funding for increased easement acquisitions has been sought from Legacy funds, acquisition rates remain far below these planned levels. Given increasing development pressures, there

should be no lapse in the use of funds from the Trout and Salmon Management Account to acquire new trout stream easements as called for in the AMA Plan.

- We recommend that funds from the trout and salmon management account, especially the large balance being carried forward over the past few years, be utilized for trout stream easements whenever opportunities for acquisitions in priority watersheds are available and might otherwise be delayed and/or lost due to interruptions in other funding sources.

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. Spending authority in FY 2013 was \$678,000.

Budget

Land Acquisition

- Expand land acquisition by increasing bonding to historical levels for areas of the state that have less than 5% public ownership.
- Target funding for high quality habitat areas.

Funding

- Provide competitive compensation for conservation initiatives to increase enrollment in available programs.
- Increase the financial assistance for the partnership with BWSR and Pheasants Forever for farm bill biologists to expand technical support to landowners and their participation in federal Farm Bill Conservation Programs by an additional \$100,000 per year over and above the current allocation.
- Provide a sustainable funding source for the Walk-in or other innovative hunter access programs through a combination of user fees, the federal farm bill, or other funding opportunities.
- Increase the cost of the pheasant stamp incrementally to keep up with inflation.
- As stable and sustainable funding becomes available, consider including additional counties in the walk-in program.

Policy

Habitat Management

- Provide public and private grasslands, habitat management, and opportunities to support an annual harvest of 500,000 pheasants.
- With the accelerated changes occurring on private land, increase financial and technical support to maintain or enhance RIM, CRP, and other programs that provide habitat and hunter opportunities.

Pheasant Summit

- Enhance buffer management and enforcement of all streams, rivers, and ditch systems and manage public roadsides for permanent grassland cover.

Food Plots

- Create a best management practice guide for appropriate size and location of food plots on public and private land. The plan should be consistent with the pheasant habitat model that includes winter cover, grasslands, and food within a nine square mile block as well as enhancement of hunter opportunities and experiences.

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. Spending authority in FY 2013 was \$64,000.

Budget

Beaver Impacts

- Expand partnership with Ducks Unlimited (double monetary effort) 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

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.
- Increase marketing efforts for wild ricing to increase license sales and get more people engaged in the outdoors harvesting the most valuable grain that grows in Minnesota.
- Provide additional detail in the report on lakes that have received some form of management during the fiscal year including work completed by area wildlife managers and other staff.

Details on Lakes

- Provide additional details on lakes receiving active wild rice management in next year's report.

Wildlife Acquisition Account (2207)

This account is funded through a \$6.50 small game surcharge. At least 50% of money from this account must be spent on price of land costs. The remainder of the fund can be used for development and maintenance of wildlife lands and developing, preserving, restoring, and maintaining waterfowl breeding grounds in Canada. Spending authority for this account is \$2,978,000. A healthy balance is kept in the account in order to take advantage of exceptional opportunities that might develop with a short timetable.

Budget

Opportunities

- Maintain enough balance in the account to capitalize on the best opportunities that become available are consistent with the strategic land acquisition plan.

Policy

Long Term Habitat Protection and Wild Land Opportunities for Citizens

- Continue to acquire the highest priority WMA land to provide contiguous blocks large enough to provide hunting and trapping opportunities at a rate of 8,000 acres per year utilizing a variety of funding sources and partnerships. The target is the same as the DNR's conservation agenda target with expected Lessard-Sams Outdoor Heritage funding and is critically important as more marginal land is converted to row crops

Collaboration with partners

- Continue to collaborate with conservation groups to maximize acquisition opportunities of key tracts in a timely manner, as the 8,000-acre goal is unattainable with the limited amount of funds available through this account annually.

Wild Turkey Management Account (2208)

This account is funded through \$4.50 of each adult turkey license. Money from this account can be used for the development, restoration, and maintenance of suitable habitat for wild turkeys on public and private land. Some of the activities include timber stand improvement, establishment of nesting cover, winter roost areas, and stable food sources. Spending authority in FY 2013 was \$530,000.

Budget

Inflation Costs

- Increase the cost of a turkey license commensurate with inflation.

Policy

Habitat Loss

- Monitor, document, and provide information on the impacts of recent destruction and loss of woodland habitat for expansion of agricultural row crops and development.
- Report to the WOC on the results and outcomes of the hunter satisfaction survey in calendar year 2015.

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”) may be spent only for activities that improve, enhance, or protect fish and wildlife resources.

We examined whether HEA funds from the HEA were being spent only for the activities specified in Minnesota Statutes, section 297A.94, paragraph (e). We also examined the substantial increase in funding to the Forestry Division that began in FY 2010, and our FOC’s findings are contained under the review of Forestry expenditures.

The report on page 103 shows expenditures planned for several programs which on their face do not appear to be activities which “improve, enhance or protect fish and wildlife resources,” including grants to the nonprofit group “Let’s Go Fishing,” for Shooting Sports facilities, and for Itasca Shooting Facilitates. However, we find that while these activities do not directly improve, enhance or protect fish and wildlife resources, the appropriations riders for these activities do contain language that relaxes the restrictions of Minnesota Statutes, section 297A.94.

No additional follow up should be necessary from DNR on this subject.

Budget

Audit of the Account

- Provide documentation to show that 87% of the fund is spent on the field operations as required for this account. Provide the BOC with the definition of operations support and the operational guidelines to comply with the law.

Lifetime Fish and Wildlife Trust Fund (2210)

Revenue from the sales of lifetime licenses is deposited in a Trust Fund. Each year the DNR transfers from the lifetime Trust Fund the amount that otherwise would have been collected and deposited from the sale of annual hunting and fishing licenses.

We find that expenditures from the game and fish fund appeared to be in keeping with statutory requirements and sound management practices.

We examined the fund and find that the transfers and allocations are appropriate. We began a preliminary examination of the fiscal impact to the GFF of lifetime license holders failing to validate their licenses each year. We also began an inquiry into the effect of basing transfers from the trust fund to the GFF Operations accounts based upon actuarial (life expectancy) tables instead of validations by anglers, and what effect such a switch might have on federal reimbursement payments. Given time constraints, we decided to continue this line of inquiry next year.

Mail reminder to validate

- We recommend that the DNR begin (or continue) to mail annual reminders to lifetime license holders explaining the need to validate the license each year and explaining the consequences of lost federal reimbursement dollars to the DNR if license holders fail to do so.

Walleye Stamp Account (2211)

We evaluated the expenditures from this account and find that they are reasonable and in line with legislative mandates.

Policy

License Fee

- We explored the merits of the legislature making purchase of the stamp mandatory for all those wishing to harvest walleyes. While there may be some merit to this, we do not believe that pursuing such a change is feasible in light of the lack of Legislative support for the full fishing license fee increase sought by the DNR and stakeholders in 2011. The Walleye Working Group would need to advocate very strongly and visibly for this change in order for it to have any chance of being enacted to help cover more of the costs of walleye management.

Peace Officer Training Account (2212)

Revenue for this account is derived from surcharges assessed to criminal and traffic offenders to be spent on Peace Officer training. Spending authority is \$134,000.

- Peace officer training is related to improving or maintaining enforcement knowledge and skills.
- We support having an enforcement workforce that is representative of the state's population.

Wolf Management and Monitoring Account (2213)

The wolf was listed a federal endangered species in December 2014 and management was taken away from the state.

Budget

Long Term Sustainability

- When management authority is returned to the state, the total costs of wolf management, including enforcement costs, need to be identified in order to accurately project the needs for managing this special animal as well as demonstrating the commitment to implement the requirements of the Wolf Management Plan.
- Management and monitoring of the wolf in Minnesota provides a net drain on the Game and Fish Fund balance due to the costs greatly exceeding the revenue from hunting and trapping licenses.
- Update revenue estimates for future years, when management is restored to the state.
- Recommend hunting and trapping fee be increased from the legislatively set \$30 to \$50 to better reflect the costs of monitoring and managing this species.

Policy

Revenues and Expenses

- Revise estimates (true total costs) for managing wolves, e.g. include Enforcement Division hours and list the total cost of wolf management and monitoring in the Game and Fish Fund Report.
- Explore other funding options, including general fund dollars or funds from the Minnesota Department of Agriculture or U.S. Department of Agriculture for funding depredation response.

Management Plan

- Strongly support the DNR's science-based wolf management plan for hunting and trapping.

Emerging / Other Issues

Litigation

- We believe that any legal fees or costs for lawsuits brought by the public needs to be prorated to reduce impact to the Game and Fish Fund. Alternative funding sources should be identified by the legislature to prevent reduction of management activities by such lawsuits.
- With regard to lawsuits against the Department of Natural Resources, costs should be borne by all citizens of the state. During this past year, the DNR has been involved in litigation with Lynn Rogers and The Wildlife Research Institute. The Wildlife Research Institute or the North American Bear Center research is not funded from the Game and Fish Fund. As such, litigation costs associated with revocation of Mr. Rogers's research permits should not be allocated to the Game and Fish Fund as appears to be the current practice or intent. Other lawsuits such as the recent Mille Lacs Lake lawsuit should only be funded proportionally by the Game and Fish Fund.