

April 7, 2017

The Honorable Kurt Daudt  
Speaker of the House  
463 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

The Honorable Melissa Hortman  
Minority Leader  
267 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

The Honorable Dan Fabian, Chair  
Environment and Natural Resources  
Policy and Finance  
359 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

The Honorable Rick Hansen, DFL Lead  
Environment and Natural Resources  
Policy and Finance  
247 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

The Honorable Sarah Anderson, Chair  
State Government Finance  
583 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

The Honorable Sheldon Johnson, DFL Lead  
State Government Finance  
259 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Dear Representatives Daudt, Hortman, Fabian, Hansen, Anderson and Johnson:

DNR faces a number of budget challenges, including fund deficits, growing demands, inflationary pressures, lack of stable funding for ongoing operational needs, and the need to address emerging issues. Unfortunately, the current House proposal, HF888, does not comprehensively address the challenges we laid out in our budget presentation, and in many cases, adds to our concerns. Adding to these concerns is the House Omnibus State Government Budget proposal, HF691(SF605), which will further decrease funds available to DNR or fee accounts already projecting in the red.

We appreciate your recognition of the need for increased funding for our state parks system, for resources to ensure our forests are healthy and can support a growing demand for Minnesota timber, increased funding for conservation enforcement and easement stewardship, and funding for legal support to ensure the State can defend decisions when challenged in court. While the House budget does address several critical budget issues, it falls short of the Governor's budget proposal in helping address fund deficit projections, impacts of inflation, and some critical funding requests.

The Governor's budget proposal provided for fee increases that are vital to continuing the level of services the public expects and desires. To that end, the Governor's budget recommended modest fee increases for hunting and fishing licenses and for certain recreational vehicle registrations to maintain and restore critical functions and services for those fee-payers. Most of these fees have not been increased in over 10 years and – even with the recommended increases – are similar or even less than fees in nearby states. As you know, affected constituents have supported these requests. Absent fee increases for these activities, we will need to implement reductions within accounts with projected deficits this biennium.

In addition, the current House budget does not address inflationary pressures. The Governor's budget included an operating adjustment for known and anticipated inflationary pressures, largely associated with employee contracts. Funding for the operating adjustment in our fee related programs is reliant on fee increases due to projected fund deficits. Lack of funding for the known inflationary increase alone will impact the agency by up to 96 workers by FY 2019. Some of the impacts of this are addressed in this document, but please note that every division will be impacted and need to reduce activities. Any additional increase or budget pressure, including unanticipated contract increases and employer pension increases, would only create a larger impact to the agency and the services we provide.

The following is a program area summary of potential impacts of this budget.

### **Parks and Trails**

While the House budget increases fees for state parks and funds our state park request, it does not address deficits in the recreational vehicle accounts. The result will be further reductions to snowmobile and ATV grant-in-aid programs to local clubs; reductions to DNR trail grooming and maintenance activities; and reductions to water access, fishing pier and water trail maintenance, including probable closures of some public facilities due to lack of maintenance.

In addition, with the lack of an operating adjustment, there will still need to be adjustments to parks operations to account for the potential need to reduce 20 workers. Impacts could include reduced services or operating seasons at state parks or further reductions to state trail maintenance. We will begin to analyze options for service reductions in order to minimize additional impacts of revenue losses.

### **Fish and Wildlife**

The House budget does not address the fund deficit in the Game and Fish Operating Account or provide an operating adjustment or requested investments. Lack of an operating adjustment will require a reduction of a minimum of 29 workers based on known inflationary costs. Additional cost pressures and lack of available resources due to projected fund deficits could increase this number to 40 staff.

Reductions to fish and wildlife management will include reduced habitat management of Wildlife Management Areas (WMA), limiting access to WMAs due to inability to maintain roads, reduced surveys on deer, reduced depredation responses, at least 200 fewer lakes stocked with walleye, creel surveys conducted on only three lakes, fewer lake surveys to provide critical information to manage lakes, and less coordination with lake associations and conservation clubs. These program reductions will negatively impact the quality of hunting and angling in the state, and will pose a long term threat to the economic vitality of the many businesses and communities that rely on these resources.

### **Enforcement**

While the House budget provides \$1.4 million annually for the Enforcement program area, the Governor recommended additional funding for 17 currently-vacant field positions as well as an operating adjustment. The \$1.4 million provided in the House budget will cover known inflation for the FY 2018-19 biennium only. If changes to the employer pension are

adopted, as proposed in HF1288, additional reductions of up to 10 positions would be needed to accommodate the additional costs. This would bring the total vacancies to 27 staff if all the inflationary adjustments are taken into account. This equates to a vacancy rate of close to 15 percent and would be one of the lowest conservation law enforcement levels this agency has experienced in many years.

### **Forestry**

The House budget funds the Governor's priorities for forest management. While we appreciate the recognition of the need for these investments, we are concerned about the potential impacts to the Forest Management Investment Account (FMIA). The proposal would draw this fund down to \$692,000 by FY 2021 and creates the likelihood of the FMIA account being overcommitted in the future. A balance of \$2 million in the FMIA is desired for cash flow purposes because timber markets can be volatile. Weather conditions creating poor harvest years can reduce revenues. Our revenues in FY 2017 are trending down from the current forecast due to impacts from this winter and poor harvest conditions. Poor harvest conditions, fire and timber markets all impact the amount of funds available in the FMIA.

### **Ecological and Water Resources**

The House budget does not address the fund deficit in the Aquatic Invasive Species (AIS) account. Based on current projected revenues for the account, the House budget is over-appropriating the fund. To maintain a positive balance, we will continue to implement reductions in AIS grants, prevention, training and technical assistance activities. If it is the legislature's desire to not sustain prior levels of activity for AIS, we will need to reevaluate our AIS prevention strategies, especially with regard to aid to counties.

In addition, the House budget does not include funding for an operating adjustment on a number of the Governor's recommendations. Without these funds, there will be slower decision times for public waters permits, reduced habitat management for non-game species, and reduced capacity to provide information on rare or endangered species.

### **Agency-wide Issues**

Minnesotans are proud of our nationally-recognized outdoor recreation system; our hunting and angling opportunities; and the economic opportunities in our tourism, timber, and mining industries. Without fee increases and additional appropriations to maintain our current service levels and make strategic investments, we stand to lose significant ground on making Minnesota the recreation and business development destination for all.

### **Policy**

There are a number of policy items in the budget bill. While many of these policy items are supported by the agency, there are also several we have concerns about. The Governor has stated that policy provisions should be carried in their own bill. We concur with the Governor that these items should not be part of the budget bill process and should proceed on their own. Some of the more problematic policy items are as follows:

- Changes to the buffer law, including changes that reduce buffer requirements from 50 feet to 16.5 feet on over 48,000 miles of watercourse. This change will greatly diminish water quality protections.
- A lead shot rulemaking prohibition will set limits on the DNR's authority to provide wildlife protections on state lands.
- A no net gain of state lands policy is unnecessary. Under current law, DNR is required to get county approval for acquisition of Wildlife Management Areas WMA(s), WMA Easements, scientific and natural areas, and any lands purchased with Reinvest in Minnesota (RIM) match funds. The DNR is committed to working with counties to acquire lands from interested/willing landowners that are supported locally, and meet the strategic goals of the DNR.
- Allowing the overnight use of stands in WMAs preempts the public's full utilization for public lands and resources. DNR has concerns about this language.
- DNR objects to the prescriptive nature of the Sand Dunes State Forest Management Plan language. DNR land managers need to maintain the ability to make decisions that are best for the land for the people of Minnesota. Local county government may not necessarily represent or adequately consider the interests of citizens and stakeholders from across the state (e.g., forest industry, recreationists, those concerned about management of rare species/habitats).

### **Interaction with State Government Finance Omnibus Bill**

In addition to concerns in the House Environment and Natural Resources Policy and Finance Omnibus bill, the House State Government Finance Omnibus bill, HF691 (SF605), imposes reductions that further impact our ability to provide results and services Minnesotans have come to expect. Of particular concern are provisions which mandate a reduction to state agencies for savings that could be realized by allowing employees to opt out of state health insurance benefits, and MN.IT cost reductions.

Uncertainty about how much savings will be realized, combined with the challenges of allocating those savings to agencies, makes it a risky proposition to try to capture these savings in advances through reductions in appropriations.

If savings are allocated to DNR programs, it would likely impact our fee/revenue programs including, hunting and fishing licenses, recreational vehicle, camping, and timber sales. The proposal would require a transfer of fee revenue from these programs to the general fund. We oppose any diversion of fees to the general fund.

Further, the DNR opposes the limit on the number of (FTE) staff, restrictions on the use of salary savings, and salary limits. These provisions impede the DNR's ability to manage critical response needs and meet seasonal staffing demands (wildfire, disaster response, state parks, fishing/hunting seasons).

The DNR has significant concerns about many of the proposed rulemaking changes that could impact our agency's ability to effectively and efficiently carry out its natural resources responsibilities including our obligation to assure viable game and fish populations over the long term. The proposed changes increase costs and the time needed to finish a rule and degrade the responsiveness of agency rulemaking.

Thank you for the opportunity to work with you this session on the budget. I look forward to continuing this critical work for the benefit of all Minnesotans.

Sincerely,



Tom Landwehr  
Commissioner

c: House Environment and Natural Resources Policy and Finance Committee Members