

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 2018

July 2019

Game and Fish Fund Budgetary Oversight Committee

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Subject: Game and Fish Fund Budgetary Oversight Committee Report on FY 2018

Commissioner, Senators, and Representatives:

I am pleased to present the Fiscal Year 2018 Report of the Game and Fish Fund Budgetary Oversight Committee (BOC). The BOC and its two subcommittees determined that FY 2018 Game and Fish Fund expenditures complied with the overall requirements of the Game and Fish Fund.

The introduction lists our top recommendations and we look forward to a written response to items directed to the DNR's attention. We do provide recommendations for consideration by the legislature. The detailed section of our report identifies account-specific concerns and recommendations that do not require a written response, and we ask fisheries and wildlife managers to follow up on these items in

meetings and discussions with the Fisheries Oversight Committee (FOC) and Wildlife Oversight Committee (WOC).

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

Yours truly,

Mark Popovich,
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 (commissioner). The WOC and FOC are each made up of 12 members appointed by the commissioner.

The reviews of the WOC, FOC, and BOC required the examination of management activities and outcomes with related expenditures. This BOC report discusses expenditures and any policy issues by major function whenever possible.

This report was approved by the BOC by an email vote completed on July 11, 2019.

TOP FINDINGS AND RECOMMENDATIONS

All FY 2018 reviewed expenditures from the Game and Fish Fund (GFF) appear to be in keeping with statutory requirements and sound management practices.

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 top recommendations:

Fund Sustainability

The number one concern the BOC has reported on for over 25 years is the Game and Fish Fund 2200 is the ability to maintain Fish and Wildlife Programs. The Game and Fish Fund 2200 actual and projected revenues and balance for FY 2019, through FY 2021, shown on page 5 of the 2018 Game and Fish Fund Report are shown to fall below expenses. The long standing funding model of user based fee structure to fund the Division is failing to keep pace with the needs of Minnesotans.

Chronic Wasting Disease

Chronic wasting disease (CWD) has become a very serious and immediate problem affecting deer across areas of Minnesota. This disease could also threaten moose and elk populations in the future. Unless prompt and decisive action is taken, CWD could lead to a severe deterioration in Minnesota's cervid population, devastate the revenue stream (public and private) created by deer hunting, as well as destroy a Minnesota family tradition. Efforts to forestall such outcomes requires urgent action by multiple entities, including the DNR, the Board of Animal Health (BAH), the Department of Agriculture (DOA), all farmers, all hunters, and all wildlife enthusiasts. Moreover, CWD is not just a "hunter's issue." Therefore, the cost of controlling the disease should not fall strictly to the Game and Fish Fund.

The time has come to adopt a sense of urgency and unite to focus on the threat.

Timber Harvest Practices

In the interest of enhancing habitat in Minnesota's wildlife management areas (WMAs), as provided in Minnesota Statutes, section 86A.05, subd. 8, the WOC proposes the lead division within DNR for timber harvesting decisions on DNR managed lands within and adjacent to WMAs should be Fish and Wildlife. All decisions on what, when, and where to harvest timber in and around WMAs should be determined by wildlife managers.

Public Lands

The agency needs to continue efforts to educate the legislature, county officials, and the public to promote long-standing policies supporting public land purchases. Of particular concern are policies and actions pursuant to "No Net Gain" resolutions that prevent acquisition of available parcels for many varied beneficial uses, such as wildlife management areas (WMAs), aquatic management areas (AMAs), scientific and natural areas (SNAs), public water accesses, and easements. Policies that prevent public land acquisition limit the use and enjoyment of Minnesota's great outdoors and can stifle the economic benefits that are the result of that use.

Fund Sustainability

Minnesota's natural resources are a significant contributing factor to the state's economy. Whether land or water-based, outdoor recreation and tourism produce \$15 billion in gross sales annually. In 2017 alone, state sales tax from the leisure and hospitality industry generated \$996 million ([Tourism and Minnesota's Economy, Explore Minnesota Fact Sheet January 2019](#)). It is clear that Minnesota's lands, waters, flora, and fauna are of great value not only to a healthy economy, but to the many people enjoying them as well. However, DNR Fish and Wildlife Management Sections receive very little, if any, of the State sales tax dollars generated by tourism, outdoor land and water-based recreational activities, and related purchases to support those outdoor activities.

A long-term trend in decreased funding is concerning. For example, although fishing and boating account for approximately \$4 billion in participant spending each year ([National Marine Manufacturers Association Economic Impact Infographic – Minnesota, 2018](#)), the state has been reducing its investment in protecting aquatic resources since 2010. The Water Recreation Account that is used to fund the State's Water Access Sites has not been increased since 2005.

The Fish and Wildlife Division relies on funding from 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 appropriations have dropped to nearly zero since 2011, with the exception of a 2015 appropriation to combat avian flu.

Despite this decline in funding, the Budget Oversight Committee (BOC) is very appreciative of the Legislature's action in 2017 to raise several fishing and hunting related fees. Unfortunately, the revenue generated from these increases only prevents cuts in fish and wildlife management activities in the

short-term and does little to restore previous levels of funding. Without additional fee increases and/or general fund allocations specifically to the Fisheries and Wildlife Section's base budget in the near term, core management programs will be reduced. The Committee finds this unacceptable.

The Game and Fish Fund is fully dependent on hunting, boating, and fishing with 85% of its funding generated from license sales and fees and federal excise tax dollars. As license and equipment sales decline, so will the matching federal funds, while the cost to sustain habitat and suitable fish and wildlife populations will increase.

The current funding model for fish and wildlife management is not sustainable. While it has successfully funded conservation efforts for 80+ years, it does not reflect how natural resources are consumed today. The "User Pay, User Benefit Model" relies almost entirely on people who purchase and license watercraft, and those who hunt, fish, and trap. The user base that pay for most of our conservation efforts today – boaters, hunters, and anglers – is shrinking, while the number of non-boaters, non-hunters, and non-anglers – those that do not pay but enjoy the benefits from these efforts – is growing. Modifications must be made to modernize, diversify, and broaden the funding base.

The BOC recommends the DNR seek alternate funding strategies, including significant increases to appropriations from General Fund and Sales Tax Revenues that are more equitable and sustainable whereby all residents pay something for fish and wildlife management. All Minnesotans benefit from the work done by the DNR and by asking *all* to invest in healthy fish and wildlife populations, quality fish and game habitats, and water and field access sites, we place a higher value on those resources.

Consequently, the BOC is strongly recommending the Governor, the Legislature, and the DNR develop the comprehensive package of funding outlined in this report.

Game and Fish Fund and the Game and Fish Operations Account (2200)

Fish Management

OVERVIEW

Fish Management includes population and habitat management, culture and stocking, education, outreach, rulemaking, and coordinating all aspects of fish management.

FINDINGS

Habitat Management

After re-examination of the Aquatic Plant Management (APM), the BOC continues to oppose the use of user license fees for the removal of fish habitat.

The BOC has repeatedly asked the DNR, the legislature, and the governor to adjust APM permit fees so all costs associated with the program be covered by permit issuing fees. The APM program, which allows riparian lakeshore owners and lake associations to remove aquatic vegetation at a very low cost, is juxtaposed with DNR Fisheries actively promoting and engaging in aquatic habitat restoration and preservation projects that foster some of the same aquatic vegetation being targeted in the APM program. In short, anglers and watercraft owners are subsidizing the removal of fish habitat via their license dollars for private lakeshore property owners.

In examination of the APM as far back as 1998, a 2005 watercraft registration fee increase was approved and included a legislative change in the language to allow for the APM to be funded from these increased fee dollars.

The BOC does not agree that these funds should be used for a program not related to watercraft usage. These fees were asked for by anglers and raised for the purpose of public water access maintenance and rehabilitation. At the time of this fee increase, watercraft power loading was causing damage to access sites, and the DNR did not have funding to purchase equipment that could address this issue. Power loading continues to be an increasing problem along with limited funds to support water access repair and maintenance.

The APM fees generated only cover approximately one-third of the cost of the program. Angler fees from the Game and Fish Fund and the Water Recreation 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.

RECOMMENDATIONS

The BOC recommends that the APM program not be funded with fishing and boating license dollars as it does not directly benefit the license holders. Riparian lakeshore property owners should cover the entire cost of this program.

Population Management - Updated Walleye Stocking Program

The BOC was briefed by the DNR staff regarding the adoption of the Updated Walleye Stocking Program. That study was completed to determine the impact on catchable biomass resulting from walleye stocking efforts in various water bodies around the state. The research demonstrates that increasing fry stocking while reducing fingerling stocking in some lakes is a more viable and less expensive economic option. The BOC supports this science-based effort to manage walleye populations and believe this to be a wise use of Game and Fish funds.

The BOC was informed that the MN DNR was able to produce and stock walleye fingerlings for \$21.88/lb (FY19 price). This number fluctuates yearly based on how well rearing ponds produce; however, some costs for the DNR are fixed. The 10-year-average cost/lb for the DNR is \$16.14/lb. For FY18, the cost for the DNR to produce a pound of walleye fingerlings was about the same as it was for private growers.

RECOMMENDATIONS

The BOC recommends that the DNR reduce walleye fingerling purchases from private hatcheries, other than Walleye Stamp funded purchases, in the same proportion to state hatchery reductions. Through examination, the BOC has found that over a 10-year period, costs to the Game and Fish Fund to stock walleye fingerlings would be reduced significantly.

State Hatcheries

The BOC reviewed future plans for the state fish hatcheries. DNR is seeking state bonding dollars to replace and upgrade facilities, which would allow for smaller ponds that provide more fingerling and improved biosecurity. Some of this work has been completed at several locations. Cold Water Hatchery improvements include changing the flow to increase production at Crystal Springs.

RECOMMENDATIONS

The BOC supports additional bonding dollars for state hatcheries to increase production and provide biosecurity.

Tribal Fisheries Coordination

The BOC continues to review the impacts of increased staff time, research, and resources directed towards addressing the Mille Lacs Lake Walleye Fishery, which it finds to be advantageous to statewide Fisheries Management.

The BOC asked the DNR Fisheries Section in FY18 to provide better accounting of the time and work on all lakes with tribal protocols so that these efforts could be better fiscally reviewed.

The following are above and beyond what would be considered typical coordination.

Cormorant Control (USDA Wildlife Services Contract)	19,226
Treaty Collaboration	69,404
Baseline Management	<u>31,896</u>
Total expenditures coded to Tribal Coordination.....	\$120,526

RECOMMENDATIONS

The BOC recognizes that staff time spent to negotiate with tribes on harvest rates is outside normal lake management efforts and recommends it be funded directly with General Fund allocations. These costs should not be solely supported by Minnesota anglers.

Compliance

All categories of FY 2018 expenditures from the GFF for Fisheries management appear to be in keeping with statutory requirements and sound management practices.

The BOC is highlighting the use of funds from the Water Recreation Account for the Aquatic Plant Management program, as presented above.

Previously, the BOC recommended: (1) adopting the Updated Walleye Stocking Program. While DNR Fisheries did adopt the program, they did not adopt the portion of the program recommending how the distribution of the 17% reduction in production and purchasing be done. The DNR did not reduce the purchase from private growers by 17%. The DNR reduced its production 30,000 pounds and did not reduce purchases from private growers the recommended 5,000 pounds. The BOC has reported for over 20 years that the Walleye Stocking Program is too expensive for the results it produces. By not adopting the BOC's recommendations, the full savings are not being realized. Minnesota anglers have been paying, on average over the past 10 years, a significantly higher cost for walleye fingerlings purchased from private growers than those produced at state hatcheries; (2) that 100 percent of the Walleye Stamp Fund be used to purchase walleye fingerlings from private grower purchases; and 3) a reduction of 17 percent, or 25,000 pounds, comprised of 5,000 from private hatcheries and 20,000 from state hatcheries to achieve the 17% recommended reduction. However, the BOC found that the 17% reduction came entirely from state hatchery production.

Work plans and budget

The BOC is concerned with the fund balance shown for Fund 2200 in the FY18 GFF Report. This report shows (p. 5) that the Game and Fish Operations Account actual and projected revenues, expenses, and balance will have actual expenses above revenues for FY19 and projected expenses that outpace revenues for FY20 and FY21. The BOC continues to find that Administrative and Shared Services Costs passed down to Section Managers have greatly increased.

Wildlife Management

OVERVIEW

Wildlife Management activities under Account 2200 are grouped into the following major categories: population management; habitat management; education, outreach, and rulemaking; and planning and coordination all aspects of wildlife management.

FINDINGS

The BOC has reviewed the Section of Wildlife budgeting process and found it to be consistent with sound budgeting practices.

Specific activities within each of the major wildlife categories are as follows:

- **Wildlife Population Management:**
 - Administration of all big game, turkey, waterfowl, and small game hunting seasons and related assessment, planning, and regulatory processes.

- Collect and analyze results of waterfowl population survey data; issue related reports and publications.
- Manage the wildlife registration system.
- Wildlife Habitat Management:
 - Management of wildlife habitat in Minnesota’s grassland regions, forested regions, and wetlands.
 - Provide assistance to private landowners to promote use that is consistent with healthy wildlife habitat.
 - Engage in assessment of wildlife habitat throughout the state.
 - Manage the state’s WMAs and acquisition of land for such public use.
 - Provide technical guidance to other land managers to help them understand the importance of protecting wildlife habitat.
 - Management of all facilities associated with lands open to public outdoor recreation.
- Education, Outreach, and Rulemaking:
 - Engage in efforts to provide routine information to individuals or groups about seasons, DNR policy, or general wildlife and recreation information.
 - Public annual Hunting and Trapping Regulations handbook and related brochures and news releases.
 - Engage in rulemaking to provide guidance on how the DNR will carry out its statutory responsibilities.
- Planning and Coordination:
 - Provide coordination services with the various groups that have a role in conservations in Minnesota regarding improvement of wildlife habitat and methods to reduce damage to wildlife. These groups include: private conservation groups, area Wildlife managers, other government agencies, and other land and water management organizations.

Primary Wildlife Issues:

- The primary wildlife management issue for 2018 centered on instances of Chronic Wasting Disease (CWD) in Minnesota’s White-tailed Deer population. The BOC has reviewed the work of the DNR in 2018 to manage this issue.
- The agency’s plan for dealing with CWD is entitled “Surveillance and Management Plan for Chronic Wasting Disease in Free-ranging Cervids in Minnesota.” The Plan was updated in March 2019 and incorporates current research from the scientific literature, CWD plans from other

states and provinces, and discussion with CWD experts around the country (["Surveillance and Management Plan for Chronic Wasting"](#)).

- The Plan incorporates a public engagement process and has four main elements: a) initial detection (when CWD is first found); b) transition to a persistent infection (when CWD may not be eliminated); c) management of a persistent CWD Infection; d) management of endemic disease.
- The potential implications of this disease appear to be very serious for Minnesota's wild deer population and the costs of effectively managing the disease is substantial.
- The Emergency Deer Feeding and Wild Cervidae Health Management Account (Account 2201R296213) was created to address Cervidae health issues.
- The funding available in the current Fund 2201/R296213 does not appear to adequate to cover the anticipated costs of managing CWD. [See Account 2201/R296213 for further comment.]

COMPLIANCE

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures from current levels of funding are in compliance with appropriate statutes.
- However, given the persistence and new occurrences of CWD in Minnesota and the increasing demands it is placing on agency resources, the current level of funding available for controlling this problem is not adequate for sustainable management. This inadequate funding level needs to be immediately addressed and accounted for.

Work plans and budget

The primary fund supporting these Wildlife Management expenditures in 2018 was the Game and Fish Fund Operating Fund (Account 2200). For 2018, 74% of the Wildlife Management expenditures were funded from this account. The other major fund source for 2018 Wildlife Management expenditures was the Heritage Enhancement Fund (Account 2209), which provided 12% of the funds for the year. The remaining 14% of 2018 Wildlife Management expenditures was spread across 8 wildlife-related dedicated funds.

Total Expenditures for Wildlife Management activity for 2018 were \$32,733,100. Expenditures by major Wildlife Management activity were as follows:

- Habitat Management - \$15,424,400 (47%)
- Population Management - \$9,313,300 (28%)
- Planning and Coordination - \$2,931,000 (6%)
- Education and Outreach - \$1,305,200 (4%)

The remaining 15% of the 2018 expenditures went for support of Division Services (4%) and Department Services (11%).

RECOMMENDATIONS

- Agency funding required for sustainable management of CWD in Minnesota needs to be determined, based on scientific evidence; approved by the Legislature and the governor; and appropriated to the state agency or agencies that can most effectively provide for sustainable management of the disease.
- The BOC's other specific recommendations regarding wildlife management are incorporated in the following sections of this report dealing with the wildlife-related dedicated accounts.

Game and Fish Dedicated Accounts

Deer and Bear Management Account (2201)

OVERVIEW

The purpose of this account is for deer and bear management, including the computerized licensing system.

FINDINGS

- Revenues have rebounded and are expected to continue at current levels in future years.
- The Division of Fish and Wildlife plans to spend down the current balance over time while maintaining sufficient funds for cash flow needs.
- Under statute, a \$30 resident deer license is distributed as follows: \$24.29 goes to the Fish and Game Operating Fund (Account 2200); \$1 to the Deer/Bear Management Fund (Account 2201); \$0.50 for cervid health (also Account 2201); \$2 to the Deer Habitat Fund (Account 2202); \$0.50 for the Wolf Management and Monitoring Fund (Account 2213); and \$1.71 for ELS license issuing fee.

Compliance

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- The \$935,299 in expenditures from the Deer/Bear Management Account in FY 2018 went for habitat management (36%), population management (46%), computerized licensing system (17%), and division support (less than 1%).
- For habitat management, the major categories of expenditures focused on facility management, forest habitat, grassland habitat, and technical guidance.
- For population management, the two primary categories of expenditures were season management and hunting synopsis, but it also includes research, evaluation, and monitoring.
- Sources of Funding: One dollar from each annual deer, bear, and super-sports license and \$1 annually from the Lifetime Fish and Wildlife Trust Fund, established in section Minnesota Statutes, section 97A.4742, for each license issued under section Minnesota Statutes, section 97A.473, subd. 4, shall be credited to the deer and bear management account. (Minnesota Statutes, section 97A.075, subd. 1c)
- Receipts: \$667,467
- Expenditures: \$935,299
 - Beginning balance: \$981,335
 - Ending balance: \$714,374
 - Net change: (\$266,962)
- The regional distribution of expenditures from the Deer Habitat Improvement is as follows:
 - Region 1 (Northwest; \$177,247 (22.6%))
 - Region 2 (Northeast; \$173,275 (22.0%))
 - Region 3 (Central; \$70,988 (9.0%))
 - Region 4 (Southwest; \$92,328 (11.7%))
 - Statewide programs (\$159,278 (20.3%))
 - Research (\$112,793 (14.4%))
- Expenditure totals differ somewhat from the Game and Fish Fund Report because the Region and Program distributions were calculated at a later date after accounting changes.

RECOMMENDATIONS

The BOC strongly supports the DNR's science-based efforts to manage big game populations and recommend the following:

Deer

- Implement the [2019 – 2028 Minnesota's White-tailed Deer Management Plan](#).
- Ban feeding across the state to mitigate the spread of disease.
- Continue to seek diverse input and support the DNR's deer goal setting process.

Moose

- Continue the moratorium on moose hunting seasons.
- Continue research and monitoring of the moose population and improve understanding of stabilization that has been observed in recent years.
- Manage deer population goals in the moose range at levels consistent with the Minnesota moose research and management plan as stated in the 2019-2028 Deer Plan.

Elk

- Continue the efforts of the [2016-2019 Interim Strategic20 Elk Management Plan](#) as well as assess any new information that would contribute to a plan beyond 2019.

Bear

- Before changing any regulations regarding bear guide license requirements, conduct a thorough study of the implications, involving public engagement with stakeholders.

Generally

- Establish annual program objectives for Account 2201 (R296023 and R296213), including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Emergency Deer Feeding and Wild Cervidae Health Management Account (2201/R296213)

OVERVIEW

Purpose of the Account: Money may only be used for emergency deer feeding and wild cervidae health management. Funds are available until expended. When the unencumbered balance in the appropriation for emergency deer feeding and wild cervidae health management exceeds \$2,500,000 at the end of a fiscal year, the unencumbered balance in excess of \$2,500,000 is canceled and available for deer and bear management programs and computerized licensing.

FINDINGS

- Revenues have rebounded and are expected to continue at current levels in future years.
- The DNR generally works to maintain a reserve balance of \$1 million to ensure the ability to meet the needs of an emergency cervid disease outbreak. However, during FY17, positive and persistent CWD detections in wild and captive deer were discovered, and managing the disease is expected to rapidly decrease account balances.
- In an effort to take pressure off of the cervid health account, the department should seek General Fund appropriations to support surveillance in affected areas; in particular, in the vicinity of captive cervid facilities that are managed as livestock by the Board of Animal Health.
- The Board of Animal Health (BOH), which is responsible for monitoring livestock farms (which includes deer farms), should bear the cost of managing CWD outbreaks associated with those farms.
- In January 2019, the DNR and the BOA signed a Memorandum of Understanding (MOU) meant to clarify relationships and interagency responsibilities necessary to protect the health of cervids consistent with Minnesota statutes and regulations. The MOU provides for data sharing, farmed cervid escape response, identification of CWD-positive farmed and wild cervids and the response, CWD surveillance and testing, general communications, and calls for science-based decision making.
- This MOU, along with the DNR's "Surveillance and Management Plan for Chronic Wasting Disease in Free-ranging Cervids in Minnesota" represent positive initial steps toward the type of multi-agency, science-based approach that will be required to effectively manage this disease in Minnesota.
- The cost of containing CWD is currently a burden to the DNR as well as the community it serves.
- The loss of deer hunting in the state of Minnesota would have severe economic impact on statewide and local economies.
- Besides the economic effects, the spread of CWD would have a dramatic impact on Minnesota's hunting culture and there would be a drastic change in the current way of life for all Minnesotans.

Compliance

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures from current levels of funding are in compliance with appropriate statutes.
- However, given the persistence and new occurrences of CWD in Minnesota and the increasing demands it is placing on agency resources, the current level of funding available in Account 2201/R296213 for controlling this problem will not be adequate for sustainable management.

Work plans and budget

- All of the \$299,484 in expenditures from the Emergency Deer Feeding and Wild Cervidae Health Management Account in FY 2018 went for population management; specifically, animal disease management (84%) and research, evaluation, and monitoring (16%).
- Source of funding: Fifty cents from each deer and super-sports license is credited to the emergency deer feeding and wild cervidae health management account. (Minn. Stat. § 97A.075, subd. 1 (d))
- Receipts: \$330,405
- Expenditures: \$299,484
 - Beginning balance: \$376,086
 - Ending balance: \$522,77`
 - Net Change: \$146,685

RECOMMENDATIONS

- Seek General Fund appropriations to cover the expected agency costs of controlling the disease today and over the long-term.
- Seek a more equitable distribution of cost and responsibility for controlling the disease among affected agencies, including the Board of Animal Health and the Department of Agriculture.
- Significantly raise the targeted reserve balance in Account 2201/R296213 to exceed the current \$1 million target.
- Seek to passage of legislation regarding cervid health issues, such as CWD, that would shift responsibility of an outbreak of the disease to the source(s) of the outbreak.
- Seek DNR representation on the Board of Animal Health (BOH) to advise on issues that impact wildlife.
- Develop a plan for sustainable funding for forecasted disease outbreaks and pursue general revenue funds, other state funding, and federal funding to handle the costs associated with an outbreak of CWD.
- Engage relevant authorities in other states and at the federal level to develop a broader strategy for control of the disease.
- Further develop cooperative measures within Minnesota state government between Department of Agriculture, BOH, and DNR on cervid health issues.
- Expand public engagement efforts to establish a dialogue with all potentially affected parties (e.g., hunters, wildlife organizations, and all sectors of the agricultural community).

- Consider eliminating the deer feeding portion of the account with the revenue used for cervid health issues.
- Seek authority to remove the \$2.5 million unencumbered cap that would require the excess funds be returned to the Deer and Bear Management Account in order to make more funds available to manage CWD and other cervid diseases.
- If necessary, consider other non-traditional measures, including involving EPA for Superfund site designation; pursuing more formal multi-state partnerships to control the spread of the disease; declaring a state of emergency; eminent domain; and widespread deer tagging and tracking using the latest technology creating a rapid vivo field test for CWD.

Deer Management Account (2202)

OVERVIEW

The purpose of this account is to fund deer habitat improvement and deer management programs.

FINDINGS

- Under statute, \$2 of each \$30 resident deer license is dedicated to Account 2202. Other uses of that \$30 license fee include the following: \$24.29 goes to the Fish and Game Fund (Account 2200), \$1 goes to the deer or bear management (Account 2201), \$0.50 for cervid health (Account 2201), \$0.50 for wolf management and monitoring (Account 2213) and \$1.71 for ELS license issuing fee.
- 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. 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.

Compliance

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- Expenditures from the Deer Habitat Improvement Account in 2018 went for habitat management (64%), population management (28%), and division support (8%).
- For habitat management, the major categories of expenditures focused on grassland habitat; forest habitat; facility management; and habitat assessment.

- For population management, the major categories of expenditures focused on research; evaluation, and monitoring of the deer population; and nuisance animal management.
- For division support, the vast majority of these expenditures was for information systems used to support deer habitat work.
- Source of funding: 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 Minnesota Statutes, section 97A.075, subd. 1b.
- Receipts: \$1,321,620
- Expenditures: \$1,436,351
 - Beginning balance: \$806,923
 - Ending balance: \$694,389
 - Net change: (\$112,534)
- The regional distribution of expenditures from the Deer Habitat Improvement Account is as follows:
 - Region 1 (Northwest; \$376,927 (26.9%))
 - Region 2 (Northeast; \$171,857 (12.3%))
 - Region 3 (Central; \$254,699 (18.2%))
 - Region 4 (Southwest; \$150,238 (10.7%))
 - Statewide programs (\$252,678 (18.0%))
 - Research (\$194,772 (13.9%))
- Expenditure totals differ somewhat from the 2018 Game and Fish Fund Report because the Region and Program distributions were calculated at a later date after accounting changes.

RECOMMENDATIONS

- Continue efforts to accurately record agency 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 habitat improvement that primarily benefits deer.
- Establish annual program objectives for Account 2202, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

- Continue active engagement in Deer Plan activities and other public engagement in order to obtain broad and diverse public opinions when considering deer management changes.
- The BOC supports the proposed legislation to increase the allocation from deer licenses from \$2 to \$16 per license to the Deer Management Account.

Waterfowl Habitat Improvement Account (2203)

OVERVIEW

The purpose of this account is for the improvement of waterfowl habitat, and is governed by various statutes, including Minnesota Statutes, sections 97A.075, subd. 2, and 97A.475, subd. 5.

Use of these funds are prescribed by statute, and may only be used for:

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

FINDINGS

Compliance

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- The account funds were used to assist in the following accomplishments:
 - 154,835 acres of wetland habitat maintenance of 531 basins to enhance wetland habitat for wildlife.
 - 1,679 nest structures maintained on 401 basins to provide nesting habitat for wetland wildlife.

- 419 acres of wetland restored on 185 basins to provide new habitat for wetland dependent wildlife.
- 17,912 acres of wetlands impacted by wetland water control work on 60 basins to enable wetland habitat enhancement for wildlife through water level manipulation.
- 15,184 acres of wetland enhancements on 116 basins to enhance wetland habitat for wildlife.
- 70,914 acres on 202 wild rice lakes were actively managed to improve conditions for wild rice for the benefit of wetland wildlife that utilizes wild rice stands. This includes work done through funding provided to Ducks Unlimited and by area wildlife staff. Additional wild rice work was done as part of the Wetland Habitat Maintenance and Wetland Enhancement work shown in the above-referenced bullet points.
- Breeding ground waterfowl population surveys conducted in anticipation of upcoming hunting season.
- Waterfowl surveys completed several times on several key migration areas and reported to DNR website.
- Waterfowl banding activities for ducks (4000+ banded) and geese (3,000+ banded) to assess harvest rates and survival rates.
- Waterfowl hunter survey completed to assess hunter satisfaction, preferences and demographics.
- Review of waterfowl population survey completed.
- Source of funding: Per statute, 90% of the revenue generated from the sale of Minnesota migratory waterfowl stamps must be credited to this account. Minnesota waterfowl stamps are currently \$7.50.
- Receipts: \$578,484
- Expenditures: \$588,746
 - Beginning balance: \$787,972
 - Ending balance: \$803,185
 - Net change of +\$15,213
- Distribution of expenditures by region:
 - Region 1 (Northwest; \$47,937 (10.0%))
 - Region 2 (Northeast; \$35,825 (7.4%))
 - Region 3 (Central; \$37,310 (7.7%))

- Region 4 (Southwest; \$33,754 (7.0%))
- Statewide programs (\$193,740 (40.2%))
- Research (\$133,571 (27.7%))
- Note that expenditure distribution by region does not total the as in the Game & Fish Fund report because the Region and Program distributions were calculated at a later date after accounting changes. There is \$106,609 discrepancy relative to the Game and Fish Fund report due to satellite tracking devices for ducks that failed and the encumbrance that was reported as an expenditure in the FY 2018 Game and Fish Fund Report was not paid. The vender later replaced the devices and was then paid in FY 2019. The adjustment will be reported in the FY 2019 Game and Fish Fund Report.
- Expenditure totals differ somewhat from the Game and Fish Fund Report because the Region and Program distributions were calculated at a later date after accounting changes. The \$100,000 discrepancy relative to the Game and Fish Fund report is due to satellite tracking devices for ducks that failed, the encumbrance was not paid, and the vender replaced them and was then paid in FY19. This adjustment will show in the FY19 Game and Fish Fund Report.

RECOMMENDATIONS

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.
- 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.

- Accelerate enhancement of 1,800 shallow lakes for waterfowl migration habitat. Examine alternative models to speed up this lengthy process to manage lakes effectively.

Generally

- Establish annual program objectives for Account 2203, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Trout and Salmon Management Account (2204)

OVERVIEW

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 and salmon anglers asked for and supported this stamp to provide additional funds, above and beyond base Fisheries Section dollars, to be spent primarily for habitat improvement and acquiring additional easements.

FINDINGS

Current Acquisition Plan for Trout Stream Easements

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 Acquisition 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 2033. The BOC recognizes that this plan is ambitious and its target may be unrealistic without more funding from both traditional sources of funding, such as bonding, and dedicated funding sources, such as Outdoor Heritage Fund (OHF) and Environment and Natural Resources Trust Fund (ENRTF) funds.

The DNR is currently not meeting the plan's ambitious targets. For example, in FY17, the DNR only purchased 19 easements totaling 11.6 miles. In the past six fiscal years, the DNR has purchased just 48.1 miles of stream easements on 115 parcels. During FY18 there were 19 trout stream easements totaling 9.8 miles of shoreline, 215.5 acres of riparian land, and 4 fee-titles purchased that added 2 miles and 107 acres. Currently, there are only 15 easements in-process, totaling 5.7 miles. Based on this data, a 100 mile per year target is unattainable without changes in approach and funding.

Compliance

The fund balance was \$952,071 at the end of FY 2016, \$727,476 at the end of FY 2017, and \$681,599 at the end of FY 2018. The reduction in the balance reflects an increase in spending to gradually reduce the surplus. A target fund balance of \$500,000 is desirable to prevent the DNR from incurring any negative

balances during periods of the year when expenditures exceed revenues. Based on current trends and projections of stamp sales, revenues are projected to remain stable.

The DNR continues to monitor and preserve the values of existing easements utilizing funds generated from trout stamp sales. Actual expenditures in FY 2016 for management and acquisition were \$926,705. In FY 2017, the expenditures were \$1,215,206 reflecting an increase of \$288,501 or 31 percent. There were three primary areas where Trout Stamp funds were utilized:

- Habitat Management: \$260,900
- Population Management: \$190,400
- Culture and Stocking: \$611,400

Research: includes Surveys, Creels, and Genetic Analyses as part of research and included in the Population Management total.

RECOMMENDATIONS

1. We recommend the DNR utilize the dedicated funds in this account to maintain a reasonable minimum fund balance while furthering the goals and objectives of the Trout and Salmon Management Account.
2. The BOC recommends that the Fisheries Section management conduct a formal review of the acquisition plan to be realistic given the logistical challenges of obtaining property. This may require the Fisheries Section management to review the need for a new stakeholder workgroup to accomplish this task.
3. The BOC continues to 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 are not acted upon quickly are often lost forever. In both the 2016 and 2017 BOC reports, we acknowledged that real estate transactions can be a lengthy process. However, we also expressed our concerns regarding the unsustainable workload for the technical and legal services, which potentially could be delaying the addition of new easements. This year, it became apparent that internal FAW procedures may be causing significant, needless delays in the acquisition process. While the BOC recognizes the ongoing challenges concerning easement acquisition and the variable factors relating to each landowner deal, the BOC recommends the DNR identify measures and resources needed to rectify these issues and take steps to speed up the acquisition process.

Pheasant Habitat Improvement Account (2205)

OVERVIEW

This account is dedicated to the improvement of pheasant habitat. Funds from this account are to be used for the development, restoration, and maintenance of suitable pheasant habitat. It includes reimbursement to provide pheasant habitat on public and private land, including to landowners for set aside acres; the promotion of pheasant habitat development; and maintenance of government farm programs and federal conservation reserve programs.

FINDINGS

The BOC finds that all expenditures from this account contribute to the specific projects and strategies of the [Governor's 2015 Minnesota's Pheasant Summit Action Plan](#). These funds are most relevant to increase habitat management on public and private lands. The BOC makes the following specific findings:

- 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 below, \$1,559 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. All but about \$50 of the expenditures occurred in Region 4 and the remainder in Region 3.
- Land access programs: The Walk-In Access program is the hunting access program in Minnesota. That program is supported through user fees and Federal Grants and not the Pheasant Habitat Improvement Account. Although, Pheasant Habitat Improvement Account dollars are used to support the Farm Bill Partnership. Farm bill biologists, in turn, may direct interested landowners to the Walk-In Access program among other programs. The amount to support the Farm bill Partnership was \$59,169 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 \$324,489 on WMAs and \$2,452 on private lands.
- Farm Bill Biologist and Prairie Habitat Assessment Biologist: As noted above, \$59,169 went to the Farm Bill Partnership which supports multiple farm bill biologists in multiple counties.

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- Expenditures from the account reflect the five major priorities:
 - Development, restoration, and maintenance of pheasant habitat - \$324,489
 - Reimbursement for land set aside for pheasant habitat - \$0
 - Reimbursement for providing pheasant habitat - \$2,452
 - Promotion of pheasant habitat and Farm Bill Partnership - \$59,169
 - Land acquisition - \$1,559
- Source of funding: This account is funded through a \$7.50 annual habitat stamp that is required by anyone 18 years and older who hunt pheasants. Statute (Minnesota Statutes, section 97A.075, subd. 4) requires that 90% of the revenue from these pheasant stamps must be credited to this account.
- Receipts: \$477,924
- Expenditures: \$387,863
 - Beginning balance: \$123,111
 - Ending balance: \$213,181
 - Net change \$90,070
- Distribution of expenditures by region:
 - Region 1 (Northwest; \$15,834 (4.3%))
 - Region 2 (Northeast; \$0 (0.0%))
 - Region 3 (Central; \$62,890 (16.9%))
 - Region 4 (Southwest; \$227,607 (61.2%))
 - Statewide programs (\$39,088 (10.5%))
 - Research (\$26,370 (7.1%))
- Expenditure totals differ somewhat from the Game and Fish Fund Report because the Region and Program distributions were calculated at a later date after accounting changes.

RECOMMENDATIONS

1. Continue the programs and initiatives currently funded related to land acquisition, access, and enhancement.
2. Increase the price of the pheasant stamp, which hasn't increased in 15 years.
3. Support legislation related to roadside habitat, walk-in access, CRP, the Farm Bill, and wildlife land acquisition.
4. Continue to support the Governor's Strategic Pheasant Action Plan and revisions and implementation of the [Minnesota Conservation Prairie Plan](#).
5. Establish annual program objectives for Account 2205, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Wild Rice Management Account (2206)

OVERVIEW

The purpose of the account is to provide funds for the management of wild rice.

Source and use of funds are set by Minnesota Statute 84.0911. Funds deposited in this account may only be used for management of the designated public waters to improve natural wild rice production. Funds are generated by a user fee of a wild rice harvest license.

Compliance:

The BOC finds the funds are being used in accordance with the statute. Funds fluctuate annually depending on the wild rice crop available for harvest. Annual expenditures in recent years have been \$40,000/year to fund the wild rice lake management. Reporting, evaluating, and understanding this account is somewhat complicated by the field season being split in half due to the DNR fiscal reporting year beginning and ending in the middle of the field season.

RECOMMENDATIONS

The BOC supports the DNR's efforts in continuing to explore additional funding options, including USDA Wildlife Services, and will be assessing the wild rice account balance in 2019 to determine future spending levels.

The BOC recommends clarification on whether these funds can be carried into the next biennium given the potential for new contracts and possible statutory restrictions.

Wildlife Acquisition Account (2207)

OVERVIEW

The purpose of this account is for land acquisition for the benefit of wildlife. Minnesota Statutes, section 97A.071, specifies how money from this account may be used:

Under subd. 2a, Use of the wildlife acquisition account money, at least 50% of the receipts must be spent on actual land costs and the remainder may only be used for other land costs, development, and maintenance of wildlife lands and associated activities under subdivision 3.

Under subd. 3, waterfowl breeding grounds in Canada, these expenditures also include: development, preservation, restoration, and maintenance of waterfowl breeding grounds in Canada under agreement or contract with any nonprofit organization dedicated to the construction maintenance and repair of projects that are acceptable to the governmental agency having jurisdiction over the land and water affected by the projects. The commissioner may execute agreements and contracts if the commissioner determines that the use of the funds will benefit the migration of waterfowl into the state. Current partnerships include Ducks Unlimited (DU) Canada.

FINDINGS

- The BOC finds that the total expenditures for FY 18 were down 61.4% or \$490,154 from FY 17. The FY18 balance was \$2,043,082; up 64.8% or \$717,160 from FY 17. This is in alignment with the DNRs strategy to keep a significant balance in this account for future opportunities.
- The BOC also finds that the current projections suggest stability in the Wildlife Acquisition Account through 2021, if the proposed Wildlife Acquisition Fund Budget Request for FY 2019 remains at \$2,599,000.

Compliance

- It appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- In FY 2018 the DNR provided \$183,516 toward the acquisition of 6,795 Acres, providing for current WMA inventory of just over 1.3 million acres. Total programs expenditures included \$507,515, toward the management of grasslands, forests, and wetlands. Facility management expenses were held to \$86,022 or 11.0%
- Source of funding: Financed through revenues from the small game surcharge and \$6.50 annually from the Lifetime Fish and Wildlife Trust Fund for each license issued (Minnesota Statutes, sections 97A.473, subd. 3 and 5; 97A.474, subd. 3; and 97A.071.).
- Receipts: \$1,482,834

- Expenditures: \$781,655
 - Beginning balance: \$1,325,922
 - Ending balance: \$2,043,082
 - Net change: \$717,160

RECOMMENDATIONS

- Seek to restore bonding levels to bolster the DNR’s ability to purchase critical habitat and lands for public recreation.
- Seek the support of the legislature and governor to support an unrestricted policy (independent from “no net gain” policies) toward the DNR acquisition of wildlife habitat when and where available, emphasizing public engagement efforts to gain community support.
- Maintain the agency goal of keeping a significant balance in this account for future opportunities.
- Continue the agency’s support of Ducks Unlimited’s Canada Flyway Projects and acquisition of wetlands which support and improve duck breeding grounds.
- Continue the agency’s public engagement process to strengthen ties with local authorities, educational institutions, civic groups, and Minnesota’s many conservation organizations (game and non-game) to allow for more timely purchases of important wildlife and natural lands.
- Continue to make provision for large acquisition opportunities to be prepared when they become available.
- Establish annual program objectives for Account 2207, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Wild Turkey Management Account (2208)

OVERVIEW

Purpose of the Account: By statute, money in the account may only be used for:

- The development, restoration, and maintenance of suitable habitat for wild turkeys on public and private land including forest stand improvement and the establishment of nesting cover, winter roost area, and reliable food sources;
- Acquisitions of, or easements on, critical wild turkey habitat;
- Reimbursement of expenditures to provide wild turkey habitat on public and private land;

- Trapping and transplantation of wild turkeys; and
- The promotion of turkey habitat development and maintenance, population surveys and monitoring, and research.

Money in the account may not be used for:

- Costs that are not directly related to a specific parcel of land under paragraph (a), clauses (1) to (3), a specific trap and transplant project under paragraph (a), clause (4), or to specific promotional or evaluative activities under paragraph (a), clause (5); or any permanent personnel cost.

FINDINGS

- The following are accomplishment totals and proportion attributable to the Wild Turkey Management Account:
 - Grassland enhancement: 958 acres of 62,236 total acres (1.54%) attributable to the Wild Turkey Management Account.
 - Forest enhancement: 647 acres of 26,843 total acres (2.41%) attributable to the Wild Turkey Management Account.

Compliance

- Based on 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- Top expenditure areas were for Grassland management (\$112,570), Forest management (\$38,390), and Land acquisition support costs (\$4,543).
- Distribution of expenditures by region:
 - Region 1 (Northwest; \$28,474 (18.3%))
 - Region 2 (Northeast; \$635 (0.4%))
 - Region 3 (Central; \$68,537 (44.1%))
 - Region 4 (Southwest; \$57,858 (37.2%))
- Funds pay for the development, restoration, and maintenance of suitable habitat for wild turkeys on public and private land including forest stand improvement and establishment of nesting cover, winter roost area, and reliable food sources, acquisitions of, or easements on, critical wild turkey habitat, reimbursement of expenditures to provide wild turkey habitat on public and private land, trapping and transplantation of wild turkeys, and the promotion of turkey habitat development and maintenance, population surveys and monitoring, and research.

- Source of funding: Statute requires that \$4.50 from each turkey license sold, except youth licenses under section Minnesota Statutes, section 97A.475, subd. 2, (4), and subd. 3, (7), must be credited to the wild turkey management account.
- Receipts: \$189,728
- Expenditures: \$155,504
 - Beginning balance: \$305,316
 - Ending balance: \$341,129
 - Net change: \$35,813

RECOMMENDATIONS

Establish annual program objectives for Account 2208, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Heritage Enhancement Account (2209)

OVERVIEW

The Heritage Enhancement Account (HEA) was created in 2000 for the enhancement and protection of fish and wildlife resources.

Revenue for this account is generated from lottery in-lieu sales tax on the sale of lottery tickets, of which 87 percent must be used for field operations in a biennium per Minnesota Statute 297A.94. Funds from the HEA may only be used 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.

In 2018, the first of two \$410,000 per year grants was made to the Minnesota Aquatic Invasive Species Research Center at the University of Minnesota for the purpose of preventing the spread and controlling invasive species. The two grants were appropriated by the 2017 legislature.

There was also a one-time appropriation in 2018 of \$500,000 for Emergency Disease Outbreak Response Planning for CWD.

FINDINGS

The fund balance is forecast to decrease through 2021 due to rising expenditures and the flattening of lottery receipts. This appears to be a conservative view since the lottery receipts increased 6 percent in 2018 and have been increasing since 2010. 2019 is the second year of the biennium and the projected 2019 expenditure increase appears consistent with historical expenditures in the second year of the biennium.

Compliance

Compliance with the statute for use of HEA funds will be measured in FY19, which is the second year of the biennium. DNR staff reports that the 2018 expenditures approximate the 87 percent requirement to be spent on field operations; however, a detailed analysis has not been completed for 2018.

RECOMMENDATIONS

1. The BOC recommends that the DNR staff provide this committee with a final analysis at the end of the biennium showing the statutory compliance with the 87 percent of expenditures being used for field operations.
2. The BOC recommends that the Heritage Enhancement Fund continues be used only for operations, projects, and programs that align with the intended spirit by which the statute was written.

Lifetime Fish and Wildlife Trust Fund (2210)

OVERVIEW

This account was established as a fund in the state treasury by the legislator in 2000 (Minnesota Statutes, section 97A.4742). The law allows persons to purchase lifetime angling, spearing, angling and spearing, small game hunting, deer hunting, sporting, and sporting with spearing option licenses.

FINDINGS

Net sales (license sales less activation transfers-out) are projected to trend downward starting in fiscal year 2019.

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all transfers are in compliance with appropriate statutes.

Work plans and budget

- Source of funding: All money received from the issuance of lifetime angling, spearing, angling, spearing, angling and spearing, small game hunting, deer hunting, sporting, and sporting with spearing option licenses and earnings on the fund shall be credited to the Lifetime Fish and Wildlife Trust Fund. Money in the Lifetime Fish and Wildlife Trust Fund shall be invested by the State Investment Board to secure the maximum return consistent with the maintenance of the perpetuity of the fund. The income received and accruing from investments of the fund shall be deposited in the Lifetime Fish and Wildlife Trust Fund. Each year the commissioner of management and budget shall transfer from the Lifetime Fish and Wildlife Trust Fund to the Game and Fish Fund and amount equal to the amount that would otherwise have been collected from annual license fees for each lifetime license.

- Receipts: \$1,128,237
- Expenditures: \$0 [Lifetime License Activations = \$712,166*. NOTE: Funds in this account are transferred to other game and fish program accounts from which expenditures are recorded]]
 - Beginning balance: \$12,498,789
 - Ending Balance: \$13,627,026
 - Net Change: \$1,128,237

*Lifetime License Activations – Persons holding a lifetime license may annually request activation of their license for each new season. For the total number of activations for the license year (number of activations multiplied by current license prices) a deposit correction is made. Funds are transferred from the Lifetime Fish and Wildlife Trust Fund to the fund and revenue accounts related to those licenses.

Type of License	Lifetime (LT) Licenses Sold in 2018	Receipts from sale - LT Licenses in 2018	Number of LT license activations in 2018	Receipts from activation of LT licenses in 2018
Angling	1,165	\$480,000	8,786	\$219,096
NR Angling	18	\$16,889	101	\$514
Firearm Deer	768	\$475,562	6,257	\$203,538
Archery Deer	173	\$109,003	1,194	\$40,485
Small Game	111	\$36,732	635	\$13,381
NR Small Game	4	\$4,393	15	\$1,545
Sports	860	\$541,993	7,411	\$311,626
Sports Trapping			484	\$10,751
Spearing	11	\$982	49	\$343
Spearing and Angling	30	\$17,174	125	\$4,017
Spearing and Sports	104	\$81,314	363	\$17,654
SM Trapping*			51	\$1,075
Sports and Spearing Trap*			28	\$672
Total	3,260	\$1,764,042	24,936	\$828,933

*There is no separate Lifetime License for Sports Trapping, SM Trapping or Sports and Spearing Trap. However, trapping is included in the Lifetime License Sports and Small Game licenses. Consequently, the DNR needs to track the number of trapping activations by license type, including those for Small Game and Sports licenses.

- For 2018, \$828,933 was transferred from this Fund to the Game and Fish Fund.

RECOMMENDATIONS

- The DNR should charge for, or create a license for, Sports Trapping, SM Trapping, or Sports and Spearing Trap, since the activations for these are reducing net sales at a disproportionate rate to the funds revenue generating activities.
- Establish annual program objectives for Account 2210, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report

Walleye Stamp Account (2211)

OVERVIEW

The Walleye Stamp Account is funded via the voluntary purchases of walleye stamps (\$5.00 each). Pursuant to Minnesota Statute, section 97A.075 subd. 6, revenue from walleye stamps must be credited to the Walleye Stamp Account (2211) and is appropriated to the commissioner only for stocking walleyes purchased from the private sector in waters of the state.

FINDINGS

The narrow confines of this account's purpose of "stocking walleyes purchased from the private sector in waters of the state" makes the fund bound to strict statutory requirements. The BOC expresses continued concern with the limited number of private sector vendors available as well as the associated costs with purchasing from the private sector that make the rigidity of the Walleye Stamp Account even more complex.

In order to better understand the use of the funds, the BOC requested more information pertaining to the walleye stocking program. The Fisheries Chief and Coldwater Fish Production Supervisor for the DNR both provided more details regarding the number of walleyes, water bodies stocked, and price per pound in FY18 walleye stocking activities.

Compliance

The BOC finds the use of the FY18 Walleye Stamp Account funds in stocking activities to be in accordance with the statute. However, the BOC expresses concern with the limited number of private sector vendors available and associated costs with purchasing from the private sector.

Work plans and budget

The Walleye Stamp Account budget has experienced a period of increase since 2016. FY18 saw the highest sales since FY14, with a total of \$95,208. The account has experienced an increase in total resources available. Expenditures for the account totaled \$87,531 and the Committee found that the money raised through sales, contracted, and spent meets the narrow confines of the statute. The fund does not impact the larger budget since it is solely dedicated and directly tied to walleye stamp sales.

RECOMMENDATIONS

- The BOC does not deem it necessary to increase marketing efforts for sales because the walleye stamp is being successfully promoted through low or no-cost marketing, such as press releases, social media, and reminders sent to all agents with Electronic Licensing Systems (ELS). This type of marketing effort is similar to other programs throughout the DNR, including the nongame wildlife checkoff found on Minnesota tax forms.

Peace Officer Training Account (2212)

OVERVIEW

The Peace Officer Training Account was statutorily created in the Game and Fish Fund in the state treasury to be used by the commissioner for peace officer training for employees of the Department of Natural Resources to enforce game and fish laws. (Minn. Stat. § 97A.052) This account helps facilitate the mandated and supplemental training required for conservation officers to maintain licensing and augment skills needed to remain effective in detecting and apprehending game and fish violators.

FINDINGS

Budget Concerns

The Committee would like to see an increase in appropriations from the legislature to ensure that conservation officers can continue receiving the mandated and necessary training needed to fulfill their duties. In addition, the Committee is troubled by the continuing decline in revenues and the fact that the Enforcement Division must supplement this account with other sources of funds to prevent the account from going negative. In addition, the BOC does not support any legislation that would reduce the funds for the Peace Officer Training Account (2212).

EMT Certification

The Department currently requires officers to be certified in Wilderness First-Aid and CPR training. However, many officers also maintain Emergency Medical Technician (EMT) training. While EMT training is not required to be a conservation officer, the BOC encourages the Department to use funds from this account to support officers seeking to obtain or renew EMT certification.

COMPLIANCE

The BOC finds that the Department has properly utilized Peace Officer Training Account (2212) funds and is in compliance with Minnesota Statutes, section 97A.052.

WORK PLANS AND BUDGET

This account is appropriated by the legislature and currently receives an annual appropriation of \$135,000 per year. In addition, 1 percent of the revenue from surcharges assessed to criminal and traffic offenders are deposited into the account and may only be spent towards peace officer training for conservation officers of the Minnesota Department of Natural Resources (Minn. Stat. § 357.021, subdivision 7).

Total expenditures for FY 2018 were \$96,424 while total revenues were only \$102,055.

RECOMMENDATIONS

- The BOC recommends an increase of 1 percent to the funding sourced from revenue from surcharges to ensure that conservation officers can continue receiving the mandated and necessary training needed to fulfill their duties. In addition, the BOC is troubled by the continuing decline in revenues and the fact that the Enforcement Division must supplement this account with other sources of funds to prevent the account from going negative.
- The BOC recommends the DNR encourage and support conservation officers seeking to obtain or renew EMT certification.
- The BOC opposes any legislation seeking to reduce funding for the Peace Officer Training Account (2212).

Wolf Management and Monitoring Account (2213)

OVERVIEW

The Wolf Management and Monitoring Account was created during 2012 Legislative session. The only allowable expenditures from this account are for wolf -management, research, damage control, enforcement and education. (Minnesota Statutes, section 97A.075, subd.7b)

FINDINGS

Wolves are protected by the Endangered Species Act (ESA) and under Federal management authority. The DNR does not manage the state's wolf population and activities and expenditures are strictly limited.

Types of activities funded by this Account:

- Season Management: For each season \$110K is used for Wolf damage control through a joint agreement between the USDA Wildlife Services and the DNR. \$42K for administrative, overhead and staffing a limited program responding to complaints between April and October.
- Research, Evaluation, and Monitoring: For the wolf population survey, \$140K goes towards coordination, analysis, and report writing.
- Animal Disease Management: For the study of wolf pup health/mortality, \$7.5K goes for telemetry collars.
- The U.S. Fish and Wildlife has determined the gray wolf recovered by any and all measures required under the ESA and proposed a rule to delist the gray wolf and return primary management back to the states and tribes. The rule was published March 14, 2019, giving the USFWS one year thereafter to make a final determination. If the rule stands, activities and expenditures for the Wolf Management and Monitoring Account will increase exponentially while Federal funding for activities, such as depredation control, will cease. This Account will also lose a primary source of revenue when the deer license surcharge is eliminated (see Statute below) and revenue from wolf license and application fees (assuming a season occurs) will not make up the difference.
- The BOC supports the return of gray wolf management to the state and tribes, but questions whether the state – and this account – are fully prepared for the cost of this responsibility. Though final determination of the gray wolf status is still a year away, the BOC recommends the DNR act now to prepare this account with an active management plan and the legislative support to fund and execute.

Current Legislation and Rules Impacting this Account

- HF 1327 – Open Season for Taking Wolves Prohibited. When Federal delisting occurs, this bill would in effect, prohibit the DNR from establishing a hunting/trapping season as part of a broader Wolf Management Plan.
- U.S. Fish and Wildlife proposed rule to remove wolves from ESA and return management back to the states and tribes has been posted to the Federal Register (*Federal Docket # FWS-HQ-ES-2018-0097*) and is open for public comment March 15, 2019 – May 14, 2019.
- H.R. 6784 - The U.S. House passed H.R. 6784, which would remove the gray wolf from the endangered species list in the 48 contiguous states and reissue a 2011 rule by the U.S. Fish and Wildlife Service that delisted the gray wolf in the Western Great Lakes. The bill would also prohibit judicial review of those rules. HR 6784 is currently under review in the Senate.
- 2017 bill passed and signed into law to eliminate the \$.50 surcharge on deer licenses used to fund this Account, effective July 1 of the year following the year the wolf is delisted under the Federal Endangered Species Act. (Laws 2017, chapter 93, article 2, section 70).

Compliance

- Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

- Source of funding: This account is funded by .50 cents from each deer and super sports license sold. Wolf license application fees and license sales dollars were added to this account for the three years Minnesota was allowed a wolf hunting and trapping season (2012, 2013, and 2014) and ceased when gray wolf management reverted to federal jurisdiction.
- Receipts: \$330,391
- Expenditures: \$295,546
 - Beginning Balance: \$1,140,367
 - Ending Balance: \$1,175,211
 - Net Change: \$34,845

RECOMMENDATIONS

- A delisting plan that gives the DNR full wolf management authority, without legislative limitations. This would include hunting and trapping policy, harvest quotas, etc. (with public input).
- Develop an interim wolf management plan that identifies those activities, resources and funding that must be in place *before* delisting can happen, as required by the Endangered Species Act. The state has met the biological requirements of wolf recovery but must have a USFWS approved management plan that assures their continuing survival.
- Prioritize population management and research activities that fulfill the monitoring requirements established by the USFWS. Population will be closely monitored for five years *after* delisting and there are components of the Minnesota Wolf Management Plan that need to be updated to be consistent with state law. In FY 2010 and FY 2011, the DNR identified, requested and received annual base funding of \$220K to fulfill this five-year monitoring requirement. Adjustments will need to be made for inflation.
- Amend/Update/Augment the [2001 Minnesota Wolf Management Plan](#).
 - Reevaluate strategic management goal(s) and management activities and programs needed to meet those goals. Prioritize those activities needed to comply with Federal requirements, pre and post delisting. Incorporate best available scientific data and best management practices, methodologies and techniques to ensure Plan is current and comprehensive.

- Identify the cost to conduct or facilitate those management activities and programs deemed necessary by an amended Minnesota Wolf Management Plan to achieve its goal for long-term survival of gray wolves in Minnesota.
- Increase support and funding for Public Engagement, Communication, and Outreach. Public conversations regarding proposed legislation are happening now. The DNR has a limited window of opportunity to better direct these conversations, gauge public sentiment and minimize the spread of misinformation. The following recommendations were instrumental in the development and successful implementation of the 2001 Wolf Management Plan and could be deployed on a much smaller scale.
 - In preparation for delisting, hold public information meetings that provide an overview of science-based wolf management. Invite public comment on DNR proposed changes to the 2001 Wolf Management Plan to better inform the amendment process.
 - Leverage a Wolf Advisory Group (background, interest and geographically diverse) to advise and guide the DNR during amendment and provide third party validation when it comes time to implement the amended Plan. Citizen advisors/stakeholders add a level of transparency and an opportunity for the DNR to build relationships with local focus.
- Establish annual program objectives for Account 2213, including anticipated expenditure levels, and report on the success in achieving those objectives in the annual Game and Fish Fund Report.

Functions, Outcomes and Accomplishments

Fish and Wildlife – Outreach

OVERVIEW

This section provides education, information and engagement with the public and stakeholder groups to present fishing and hunting skills programs, education and outreach to organizations and emerging populations. It also coordinates media dissemination, various marketing efforts, and communication activities, including web content, press releases, programs, publications, and campaigns.

FINDINGS

FAW outreach expenditures totaled \$2,657,600 in FY 2018. Funds in the amount of \$2,306,600 originated from 2200-Game and Fish Operations Account and funds in the amount of \$351,000 originated from 2209-Heritage Enhancement Account. Division of Fisheries expenditures for Education

and Outreach in FY 2018 were \$1,505,332 of which \$167,225 for Aquatic Education and \$1,338,108 for Public Info and Rule Making.

RECOMMENDATIONS

- Given the foundational role that hunters and anglers play in wildlife conservation, it is imperative that the DNR bring new and lapsed users into the field and onto the water. The long-term health of the GFF is dependent, in part, on the success of Recruitment, Retention and Reactivation (R3) programs and activities to increase the numbers of hunters and anglers and/or increase the awareness of hunting and angling traditions and opportunities in Minnesota.
- While Outreach/R3 has a long list of noteworthy accomplishments in FY 2018, it is unclear how successful individual programs and activities were in increasing or even maintaining participants or purchasers of hunting and fishing.
- If Outreach/R3 is a high priority, it should be funded appropriately. However, all programs and activities must be evaluated by their ability to deliver against the intended goals and objectives. Currently, the DNR is able to track program outputs (number of events, participants and expenditures) and outcomes (qualitative assessments), but it is not able to track actual license sales, specifically those resulting from program efforts. The inability of R3 to measure success is self-limiting and seriously impacts the future funding of all programs and activities.
- The BOC strongly recommends that the DNR prioritize data tracking of license sales resulting from Outreach/R3 program efforts. We recommend utilizing existing department database systems like Better Impact or prioritize integration with the new ELS (electronic license system).

Fish and Wildlife – License Center Operations (2200)

OVERVIEW

License Center Operations includes the following major functions: the electronic licensing system (licenses, stamps and harvest registration); commercial licenses; the DNR Information Center and license agent management services; and management of license certification data.

FINDINGS

- The Electronic Licensing System (ELS) was implemented in the spring of 2000. The service is provided through third-party vendor.
- Electronic licensing system transactions for 2018:
 - Licenses sold:
 - Angling – 1,123,042

- Deer – 594,435
 - Small Game – 238,651
 - Sports - 141,845
 - Lifetime – 3,586
- Stamps sold:
 - Trout – 111,574
 - Walleye – 18,778
 - Pheasant – 69,367
 - Waterfowl – 83,963
 - Turkey – 1,640
- Harvest registration transactions
 - Interactive Voice Response (IVR) – 65,507
 - Internet – 109,802
 - Agent – 34,484
- Commercial licenses are issued for businesses products and services closely related to licensed hunting and angling activities (e.g., bait dealers, game farms, shooting preserves). There are currently over 40 types of commercial licenses.
- The Information Center is the agency call center and receives over 40,000 calls per year.
- License certification data are used as indices for federal aid apportionments (e.g., Pittman-Robertson; Dingell-Johnson, etc.)
 - For 2017 (the most recent year for which data are available) it was estimated there were 550,081 certified paid hunters and 1,451,419 certified paid anglers under this program.
- In the spring of 2017, the DNR began a process to update the ELS service by issuing a Request for Proposals.
- Negotiations with a new vendor began in January of 2018, but no contract was reached with those negotiations.
- The agency re-activated its effort to upgrade the ELS by issuing a Request for Information in August of 2018. That process continues at this time.
- A total of \$220,000 was expended in 2018 for work associated with the effort to upgrade the ELS system. Approximately half of that total came from the Game and Fish Fund.

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

A third-party vendor handles the day-to-day operation with additional support provided by the DNR License Center. Monthly payments to the contract vendor cover costs of terminal use, paper used to print licenses and permits, a 24-hour technical support phone line, and use of the vendor's host computer. Nearly 2.4 million licenses, permits, stamps, passes, and license validation transactions were processed through ELS, generating \$64.4 million in revenue for the year.

For FY2018, \$4,130,800 from the GFF Operating Fund (Account 2200) and \$158,000 from the Deer/Bear Management Fund (Account 2201) was used for Licensing Center operations.

RECOMMENDATIONS

Continue efforts to assess agency needs and pursue the best course of action to assure an effective licensing process.

Ecological and Water Resources

OVERVIEW

The Division of Ecological and Water Resources (EWR) promotes and delivers integrated land and water conservation management. Through Game and Fish operating funds, the EWR works on: lake and river habitat assessment and restoration; grassland habitat monitoring; environmental review; natural resource damage assessment and cost recovery; tracking wetland change; wildlife education, planning and coordination; and information management programs. However, EWR provides other functions that are supported by funding other than Game and Fish or Heritage Enhancement Funds.

Compliance

The BOC finds that all FY 2018 expenditures from the Game and Fish Operations and Heritage Enhancement Fund accounts by the EWR appear to be in keeping with statutory requirements and sound management practices.

RECOMMENDATIONS

Due to the complexity of how funds are allocated, appropriated, and shifted between accounts, we recommend that the EWR include a brief explanation of this in Game and Fish Fund Reports going forward as well as identification of any pass-through grant appropriations that appear on fund statements but are not clear in the narrative. Recommendations remain the same:

- When significant long-range management goals are changed, the BOC recommends that those initiatives be summarized in the narrative as well. The example being a paradigm shift from a primarily utilitarian approach to forestry (wood product) to an integrated approach where forestry collaborates increasingly with multiple divisions (EWR, Wildlife, etc.). Understandably, this new management approach results in an increase in expenditures appearing on fund statements outside of Forestry (staffing, modeling, etc.), which will continue for the foreseeable future. Providing context will no doubt help reviews in the upcoming fiscal years.
- Finally, the BOC supports increased collaboration and data-sharing between the EWR and the Minnesota Pollution Control Agency to reduce duplicate sampling, study, and review for projects or initiatives that fall under the purview of both agencies.

Enforcement

OVERVIEW

The Enforcement Division provided more than 154,145 law enforcement hours devoted to game and fish activities. Total expenditures for FY2018 were \$23,787,746. The 2018 Game and Fish Fund Report also noted that the Division has been successful at “adapting and finding new approaches and strategies to provide the services that meet the needs of citizens while conserving and protecting our state’s natural resources” (p. 80).

FINDINGS

Enforcement Division Staffing

The BOC encourages the Division to continue recruiting a diverse class of conservation officers, particularly through the DNR’s CO Prep Program. The BOC recognizes that work for conservation officers has changed over the last decade and that a combination of climate change, aquatic invasive species management efforts, and increased stakeholder interests has shifted the everyday tasks of officers. The BOC encourages the Division to continue staffing as many officers as the budget forecast allows and make overtime management a priority.

Use of Technology

The BOC finds that the Enforcement Division has done an excellent job of utilizing technology and social media practices to (1) reach potential recruits; (2) attain voluntary compliance with game and fish regulations; (3) raise awareness about regulation updates, aquatic invasive species efforts, and safety training opportunities; and (4) promote positive public relations stories about the Division’s K9 unit, officer academy, and successful poaching investigations. In addition, the BOC finds the addition of Conservation Officer Weekly Reports to be helpful for informing the public of current issues and/or concerns in each region throughout Minnesota.

The Division's use of aircraft was reviewed and found to provide multifaceted benefits and was consistent with prudent management practices.

Compliance

The BOC finds that the Enforcement Division has properly utilized Game of Fish Funds for enforcement functions.

RECOMMENDATIONS

The BOC recommends that the DNR:

- Ensure that conservation officer vacancies are filled from a diverse pool of qualified and professional candidates.
- Proactively plan for future retirement projections.
- Continue using social media for outreach and recruitment efforts for hiring and reaching potential recruits.
- Lobby for increased legislative appropriations to fund the ongoing Chronic Wasting Diseases (CWD) management and mitigation efforts.
- Continue disseminating Conservation Officer Weekly Reports and advertise reports on all DNR social media.
- Produce and seek more multilingual hunting and fishing safety advertisement opportunities.

Parks and Trails

OVERVIEW

The vision of the Parks and Trails Division (PAT) is to "...create unforgettable park, trail and water recreation experiences that inspire people to pass along the love for the outdoors to the next generation." The Division is funded by Water Recreation Account funds, along with Federal Matching Funds, which help PAT to ensure Minnesotans have access to public waterways for activities like boating, canoeing, kayaking, and angling. Entryway into these sports for many low-income and young Minnesotans is often through fishing piers and docks near boat accesses.

The 2018 Game and Fish Fund Report outlines PAT's responsibilities in land acquisition and development of boat accesses, fishing piers, and shore fishing facilities, funded by the DNR and often partnering with local and regional entities whenever possible.

FINDINGS

The BOC finds that PAT's utilization of funds acquired through the state and partnership-funding arrangements are being managed appropriately and in a timely fashion. However, the BOC does have concerns regarding the Division's declining budget and the impacts it will have on Minnesota's public accesses and facilities. Most concerning is the completion of planned upgrades to fishing piers ensuring compliance with the [Americans with Disabilities Act](#) (ADA).

Additionally, PAT expressed concern in finding an alternate vendor for floating docks and fishing piers as the Department of Corrections (DOC), the original provider, has discontinued manufacture the docks. However, PAT is addressing the issue.

Fishing Pier and Shore Fishing Facilities

The FY 2018 focus on the fishing pier and shore fishing program was to replace and repair aging and damaged facilities before adding new facilities. New facilities are considered in situations where it expands angling opportunities; however, no new fishing piers were added in FY 2018. The BOC believes that stronger advocacy is needed for funding new additional facilities and shore fishing opportunities, which the BOC sees as vital in recruiting and retaining future anglers statewide.

PAT has 2019 LCCMR proposal for new fishing piers. If funded, nine new fishing piers would be built across the state increasing opportunities to Minnesota's anglers.

Work plans and budget:

In FY 2018, PAT utilized \$1,024.846 from the Game and Fish Funds to develop and maintain the state's water recreation system. PAT's biennium expenditure was \$3.4 million. With the Water Recreation Fund projected to go into deficit, PAT reduced investments for new facilities and other expenditures, especially fishing piers throughout Minnesota.

RECOMMENDATIONS

The BOC continues to recommend that the DNR:

1. Give more emphasis to a broader division of access development in the future, especially to shore fishing opportunities. This can be accomplished by:
 - a. Clearing more areas along lakeshores and stream easements (includes warm water easements);
 - b. Adding more concrete or rock fishing areas; and/or
 - c. Providing access for youth and seniors alike.
2. Ensure that new facilities are focused on both serving diverse populations and exploring opportunities in Greater Minnesota.

3. Expand the “FIN” and MinnAqua programs to promote fishing beyond the seven-county metro area in conjunction with more fishing pier and shore fishing facilities.
4. Investigate as to whether new facilities could be developed through bonding or other partnerships with local government entities and community organizations.

Repair and Maintenance of Boat Access

With reduction of funding, PAT’s focus for the boating access program was to maintain and improve existing sites with high customer demand and/or poor existing conditions by implementing current best management practices. Poor ramp conditions have been identified where power loading and ice damage occurs.

Access Development

The BOC was informed one new water access was developed in FY2018, replacing one that had poor access. Funding was only used to repair and maintain existing sites. According to the U.S. Coast Guard, Minnesota is ranked second in the nation for the number of registered boats, which has been stable for the past seven years. The total annual economic impact of recreational boating in Minnesota is \$5.5 billion.

RECOMMENDATIONS

Therefore, the BOC recommends that new accesses should be developed through bonding or other cost-sharing efforts, particularly for large lake accesses used by many Minnesotans. In addition, more public-private partnerships should be encouraged for reducing the overall impact to the DNR’s budget and encourages more community engagement for the project.

Forestry

OVERVIEW

The Division of Forestry (Forestry) is responsible for administering the 4.2 million acres of state forest lands in order to create economic, social, and environmental benefits for the state.

FINDINGS

1. Minnesota Statutes, section 89.002, subd. 1, states, “Forest resource management policy. The commissioner shall manage the forest resources of state forest lands under the authority of the commissioner according to the principles of multiple use and sustained yield. The forest resource management policy shall not supersede any existing duty or authority of the commissioner in managing forest lands...”

2. Minnesota Statutes, section 89.001, subd. 8, states, "Forest resources." Forest resources" means those natural assets of forest lands, including timber and other forest crops; biological diversity, recreation, fish and wildlife habitat, wilderness; rare and distinctive flora and fauna; air; water; soil; climate; and educational, aesthetic, and historic values."
3. Minnesota Statutes, chapter 90, provides that the state timber act governs DNR timber sales and scaling program. Under this statute the Division of Forestry is delegated by the commissioner to:
4. Manage the sale of forest products on all forest lands under the control of the commissioner of DNR.
5. The management and sale of timber on all state lands must conform to the purposes for which those lands are held.
6. Minnesota Statutes, section, 86A.05, subd. 8, states, "State Wildlife Management Areas (WMA); A state WMA shall be established to protect those lands and waters which have a high potential for wildlife production and to develop and manage those lands and waters for the production of wildlife and compatible outdoor recreational uses."
7. Minnesota Statutes, section, 297A.94 (h)(1), directs that, "...receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent 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;"

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

Forestry used \$1,048,000 from the Heritage Enhancement account for timber production. This is consistent with the conservation benefit of improving and enhancing wildlife resources through logging.

An appropriation bill passed in 2017 and provided \$2,000,000 additional money per year for 2018 and 2019 to Forestry "for state forest reforestation" (i.e., to support 870,000 cords/year sustained harvest from all forest lands under the control of the commissioner of DNR). A significant portion of these funds were used for data systems that support core forestry functions.

Approximately 125,000 cords harvested will come from WMAs based upon the percentage of state land held for wildlife management.

Income from the sale of timber from WMA's for FY 2018 was \$792,000, which was deposited into the Game and Fish Fund.

For FY 2018, Forestry received \$303,455 reimbursed via transfer from the Game and Fish Fund (2200) to the FMIA Fund (2113) for certified hours for timber sale administration on WMAs.

RECOMMENDATIONS

- Forest harvest activity on WMAs should be requested by the responsible land manager of the Division of Fish and Wildlife. Harvest on WMAs should occur at the request and direction of the wildlife manager and supervised by the responsible forester.
- Of the money generated from timber sales from WMAs, 50% should be appropriated to wildlife management projects and practices on WMAs. Such project money is to be used at the direction of the Division of Fish and Wildlife for management activities as determined by the wildlife manager.
- Game and Fish Fund dollars should not be transferred to Forestry to subsidize timber production activities. All transfers from the Game and Fish Fund should be reviewed for approval by the Area Wildlife Manager.

Real Estate

OVERVIEW

Real Estate Services are operated as a centralized service within the DNR. Services are provided by the Lands and Minerals division to land-managing divisions through service level agreements and professional service rates. Game and Fish funds are used by land-managing divisions to pay for Real Estate Services for activities related to the purpose of the fund.

FINDINGS

Total charges to the Game and Fish Fund for real estate services in fiscal year 2018 were \$1,235,281.

Division	Total GFF Spend	GFF Ops	Waterfowl	Trout Stamp	Surcharge	Heritage
Enforcement	191	191				
Parks and Trails	11,336	11,336				
Fish and Wildlife	1,223,754	1,075,997	34,935	2,643	102,931	7,249
Total	1,235,281	1,087,524	34,935	2,643	102,931	7,249

- In fiscal year 2018, LAM performed the following work under Service Level Agreements (SLAs) with the Divisions of Ecological and Waters Resources, Fish and Wildlife, Forestry, and Parks and Trails:
 - Real estate leases
 - Land records and data reporting

- Assemblage of information for and reporting for PILT
 - Review and processing of payment of taxes and assessments
 - Review of tax forfeited land exchange proposals (Class B land exchanges)
 - Review of proposals to place lands in tribal trust status
 - Tax forfeited land sale reviews
 - Review and processing of miscellaneous notices
 - Lands related legislation, including the omnibus lands bill
 - Public inquires related to lands issues
 - Staffing for strategic land asset management
 - Management, fiscal and support staffing for the above-listed areas.
- In addition to the SLA work, LAM also provided the following types of transactions or services as Professional Services to the divisions:
 - Acquisitions of land
 - Appraisals
 - Surveys, and related legal description reviews
 - Land exchanges involving DNR managed land
 - Sale of DNR lands
 - Transfers of custodial control
 - Transfers of administrative control
 - Lands and Minerals’ attorney work
 - Grant appraisal review and associated advice for the grant programs
 - Management, fiscal, and support staffing for the above-listed areas.
 - In fiscal year 2018 the total amount paid for SLA and Professional Services was as follows:

Expense Type	FY18	FY19*
SLA	548,180	610,771
Professional Services	675,574	700,000
Total	1,223,754	1,310,771

*FY19: SLA is the actual total amount paid. Professional services are an estimate based on available budget in Game and Fish Fund Operations and similar spend in other Game and Fish Fund dedicated accounts.

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Operations Support

OVERVIEW

Operations Support consists of services that affect all aspects of the agency's operation which are administrated on a centralized basis and are provided across all Department Programs.

FINDINGS

Operations Support includes the following services:

- The Operation Services Division: This provides administrative support to the agency for the following:
 - Accounting, budgeting, payroll, internal audit
 - Human resources
 - Planning and continuous improvement
 - Legislative support
 - Safety
 - Communications
 - Purchasing and asset management
 - Facilities
 - Design and construction services
 - Fleet: vehicles, equipment, computers, radio
 - Support for the commissioner's office and regional operations
 - Internal General Counsel and Office of Attorney General
 - Information Technology (via MNIT)
 - Coordination with the governor's office
 - Statewide Indirect Costs

Operations Support have been centralized by the agency to promote great efficiency, achieve greater consistency, enhance predictability, and ensure there is “one voice” for the agency. Factors that drive the costs of Operation Support include:

- Legal requirements
- Technology systems
- Agency size, complexity and structure
- Commissioner’s priorities
- Division demands
- Public engagement
- Seasonality (e.g., seasonal hiring; end of year transactions)
- External events (e.g., disasters, fire, media and public relations events)

The Departments administrative budgets are set internally and then billed back to divisions, using fees based on cost accounting principles.

- The commissioner’s office has final authority to get agency administrative budgets.
- Administrative service levels and costs are overseen by the Shared Services Board, which consists of the deputy commissioner and division directors)
- The fees for services are set and approved by the commissioner each year to ensure they capture the cost of services and do not over-collect.
- The fee-based system ensures that administrative costs are fully examined, provides for agency control over these costs, rates are tailored to services, and allows divisions to pay appropriately from funding streams.
- However, the fee-based system involves some complexity, increasing labor intensive and decreasing transparency; and it can be more difficult to predict when administrative budgets should be adjusted.
- The DNR's current expenditures on Shared Services and IT Services (MNIT) are unreasonable. Not only are the continually increasing rates of these services concerning, but the inordinate amount of time, money, and effort that DNR sections must spend to audit Shared Services and IT Services invoices are unacceptable and in need of a resolution.

Compliance

Based on the 2018 Game and Fish Fund Report and information supplied by the Fish and Wildlife Division, it appears that all expenditures are in compliance with appropriate statutes.

Work plans and budget

The Department's total budget for Operations Support agency-wide in FY18 was approximately \$92.4 million (i.e., 15% of the agency's total budget for that fiscal period). Of that agency-wide total \$92.4 million, \$9.3 million came from the Game and Fish Fund and was spread across Department Services. This \$9.3 million represents 9% of GFF expenditures in FY18. Department Services includes the following:

- Shared Services (human resources, finance, internal audit, etc.) - 55%
- Computer and technology support (MNIT) - 20%
- Facilities (Repairs) - 13%
- Commissioner's office and regional operations - 11%
- Mailroom - 1%

Charges against the GFF are determined on the basis of internal fees for services provided.

RECOMMENDATIONS

- We recommend that the annual Game and Fish Fund Report include a breakdown of the dollar expenditures from the GFF for Department Services or any other expenditures from the GFF for Operations Support.
- We recommend that the annual Game and Fish Fund Report include a brief explanation of the process used for determining fees for Shared Services; in particular, what measures were taken to ensure against over-collection of administrative costs from the GFF.
- The BOC recommends the creation of a better-integrated Human Resources system which feeds department Human Resources information directly to MNIT systems. It is quite clear that the current practices and protocols for personnel changes and resources (e.g., computers, hardware, cell phones, software licenses, etc.) are inadequate and have need of review. Hunters, anglers, and Minnesota citizens who enjoy the outdoors should not be funding inefficient systems that represent an alarming drain of valuable DNR resources and improper use of Game and Fish Fund dollars.

Marketing

OVERVIEW

The Total Fisheries and Wildlife Marketing Expenditures for FY 2018 was \$200,400 of which \$133,500 was derived from Game and Fish Operations Account (2200) and \$66,900 from Account Heritage Enhancement Account (2209). The department has been able to leverage the limited budget because of

its relationship with Explore Minnesota Tourism (EMT), social media outlets, direct email promotions, promotion of license seasons non-direct and goodwill partnerships. The DNR has target marketed new, existing and lapsed license holders in the age range of 25-44 years old.

FINDINGS

The BOC recognizes that the marketing budget is limited. The DNR marketing group has done an exceptional job with a very limited budget.

RECOMMENDATIONS

The BOC recommends that the marketing group:

1. Continue to be innovative and creative in expanding participation in outdoor recreational activities.
2. In addition to the target market ages stated above, consider directing additional effort towards re-engaging the growing retirement baby-boomers in the age group of 57-74 years of age. This demographic is in or about to retire and may have more opportunity to invest in outdoor fishing and hunting activities, and is in a strong position to influence additional participation through family and friends who share similar interests.
3. Market shore/pier fishing opportunities by providing access maps and booklets placed in strategic public/private locations throughout the state.
4. Consider and investigate increasing additional funding from EMT. This resource is already in place, which can provide greater involvement through increased marketing dollars.
5. Consider utilizing dollars from savings realized from department cost savings measures towards increasing the marketing budget, which may increase participation and result in additional revenue through increased license purchases.
6. Continue promoting the DNR website, MinnAqua and the R-3 Initiative.

Emerging Issues

We recommend that the DNR consider these emerging issues in the near future (in no particular order):

- A. The BOC feels that any additional citizen oversight committees to review funds under the GFF would be redundant, duplicative, and unnecessary as the 97A.055 subd. 4(a) is currently meeting those needs.
- B. The BOC strongly recommends that the DNR fiercely advocate at the legislature for its own scientific conservation management practices, plans, and research and strenuously oppose any future legislation that seeks to obstruct, undermine, or interfere with its science-based

approaches. The DNR is comprised of Minnesota's natural resource experts who have been charged with protecting and conserving Minnesota's natural resources, and they should also be this state's fiercest advocates for upholding its own mission and conservation agenda.

- C. The BOC would like to be provided more information regarding how Minnesota's increasingly erratic climate affects DNR management practices and the Game and Fish Fund.
- D. Provide resources to remove CWD from the environment.
- E. Federal delisting of the gray wolf is imminent and primary management responsibility will return to the state and tribes. Minnesota, the DNR, and the Game and Fish Fund (Account 2213) are not fiscally prepared to manage the Gray Wolf through delisting, nor is there an updated plan in place to identify and secure sustainable funding.