



March 30, 2017

The Honorable Paul Gazelka  
Senate Majority Leader  
3113 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

The Honorable Tom Bakk  
Senate Minority Leader  
2221 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

The Honorable Bill Ingebrigtsen  
Committee Chair, Environment & Natural  
Resources Finance  
3207 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

The Honorable David Tomassoni  
Ranking Minority Member, Environment &  
Natural Resources Finance  
2235 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

The Honorable Mary Kiffmeyer  
Committee Chair, State Government Finance  
& Policy & Elections  
3103 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

The Honorable Jim Carlson  
DFL Minority Lead, State Government Finance  
& Policy & Elections  
2207 Minnesota Senate Building  
95 University Avenue West  
St. Paul, Minnesota 55155-1606

Dear Senators Gazelka, Bakk, Ingebrigtsen, Tomassoni, Kiffmeyer and Carlson:

Over the last few months, the Department of Natural Resources (DNR) has met with the Senate Environment and Natural Resources Finance Committee to present our base budget, discuss our programs, review the challenges we are facing, and outline the Governor's recommendations that help address our budget needs in the coming biennia. Unfortunately, the current Senate proposal (SF723) does not address any of the challenges we laid out in our budget presentations, and in many cases, only adds to those concerns. Adding to these concerns is the Senate Omnibus State Government Budget proposal (SF605), which will decrease funds available to DNR or fee accounts already projecting in the red.

DNR faces a number of budget challenges, including fund deficits, growing demands, inflationary pressures, lack of stable funding for ongoing operational needs, and the need to address emerging issues. The Governor recognized that fee increases were vital to continuing the level of services the public expects and desires. To that end, the Governor's budget recommended modest fee increases in the Game and Fish Fund and recreational vehicle funds to maintain and restore critical functions and services to those fee-payers. Most of these fees have not been increased in many years and – even with the increases – are similar or even less than fees in nearby states. As you know, affected constituents have supported these requests.

Absent fee increases for these funds, we will need to implement reductions within accounts with projected deficits this biennium.

In addition, the current Senate budget does not address inflationary pressures. The Governor's budget included an operating adjustment for known and anticipated inflationary pressures. Many

of these adjustments relied on fee increases. Lack of funding for the known inflationary increase alone will impact the agency by up to 96 workers by FY 2019. Any additional increase or budget pressure, including unanticipated contract increases, employer pension increases, and litigation costs, would only create a larger impact to the agency and the services we provide.

Finally, the Senate budget does not address a number of critical funding needs identified in the Governor's budget. Instead, the Senate budget reduces funding for a number of critical program areas without eliminating any agency responsibilities.

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

### **Parks and Trails**

The Senate provides \$1 million per year for Parks and Trails but does not fully restore the \$3.45 million of one-time funding to Parks and Trails nor include any operational adjustment. This will result in a reduction of at least 46 workers. With the potential for additional cost pressures, the impact could be up to 70 workers. This equates to 60 to 120 staff who will have their hours reduced or positions eliminated.

This reduction of staffing will result in major changes to current parks operations, including elimination of camping and other services at up to 34 state parks. We will begin to analyze options for service reductions in order to minimize additional impacts of revenue losses. Other changes include further reductions to snowmobile and ATV grant-in-aid programs to local clubs; reductions to DNR trail grooming and maintenance activities; and reductions to water access, fishing pier and water trail maintenance, including closures of some public facilities due to lack of maintenance.

### **Fish and Wildlife**

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

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

### **Enforcement**

While the Senate budget provides \$1 million annually for the Enforcement program area, the Governor had recommended funding for 17 vacant field positions as well as an operating

adjustment. The \$1 million provided will cover known inflationary increases for FY 2018 only. We will again be in deficit situation in FY 2019 and will need to reduce positions beyond the current vacancies to manage at this level of funding. If changes to the employer pension are adopted, as proposed in SF1064, additional reductions of up to 10 positions would need to occur to accommodate the additional costs. This would bring the total vacancies to 30 staff if all the inflationary adjustments are taken into account. This equates to a vacancy rate of over 15 percent and would be one of the lowest conservation law enforcement levels this agency has experienced.

### **Forestry**

The Senate budget refinances general fund with Forest Management Investment Account for a net increase of \$1 million in the FY 2018-19 biennium and \$500,000 in the FY 2020-21 biennium. This net increase will only cover the known inflationary increases for FY 2018 and will require reduction of services in FY 2019 that would equate to 12 workers. In addition, the Senate budget does not provide funds for reforestation or investments in critically needed new technology for forest management.

Reforestation is a statutory requirement. Without identified funding, reductions in timber sales or other forest management would need to occur. Without field foresters to put up timber and lacking the resources to reforest harvested stands, reductions would be seen in timber harvest at a time the industry is requesting increased harvest levels, and Louisiana Pacific is looking to expand into Minnesota. Increased demand and reduced supply will drive up costs. In addition, lack of funding for new technology will continue the current inefficient data systems.

### **Ecological and Water Resources**

The Senate budget does not include funding for an operating adjustment on a number of Governor's recommendations. In addition, the proposal significantly reduces funding for critical AIS and water programs. To accommodate this reduction, DNR would significantly reduce AIS inspections and decontamination; reduce groundwater monitoring and assistance; slow or eliminate the issuance of new appropriation permits; and lose the ability to provide information on rare or endangered species. These reductions would put our lakes and rivers at higher risk of new AIS infestations and reduce our ability to ensure that communities and businesses have adequate and sustainable clean water into the future. In addition, lack of information due to these reductions will lead to a more conservative approach to permit decisions, resulting in more permit denials.

### **Agency-wide Issues**

The Senate budget does not include funding for legal support, web modernization, and conservation easement stewardship. Funding for these areas is critical to ensuring we defend our decisions when challenged in court, we communicate effectively to the public, and we protect our previous investments in easements. Without dedicated funding for these needs, they will not be addressed.

### **Policy**

There are a number of policy items in SF723. While many of these policy items are provisions that are supported by the agency, there are also several that we have raised concerns about. The Governor has stated that policy provisions should be carried in their own bill. We concur with the

Governor that these items should not be part of the budget bill process and should proceed on their own. Some of the more problematic policy items are the inclusion of the following:

- Changes to the buffer law, including changes that reduce buffer requirements from 50 feet to 16.5 feet on over 48,000 miles of watercourse. This change will greatly diminish water quality protections.
- Language impacting calcareous fens would present a serious risk to a rare and sensitive type of wetland by requiring that temporary groundwater reductions must be allowed as part of groundwater appropriation plans and/or water use permits. SF723 also weakens protections for domestic well owners.
- A lead shot rulemaking prohibition will set limits on the DNR's authority to provide wildlife protections on state lands.
- Allowing the importation of golden shiner minnows which will present a serious risk of introductions of environmentally devastating invasive species.
- Some policy provisions, such as unpromulgated rulemaking may have unintended process implications which could delay permitting and create significant fiscal burden. SF723 does not recognize the costs of rulemaking.
- DNR opposes changes that would transfer final decisions on contested case hearings from the agency to the administrative law judges. These decisions often involve highly technical issues within the agency's expertise (e.g. dam safety or mine permitting). Our concern is the provision which grants a regulated party a complete defense to compliance with administrative rules if compliance costs exceed \$50,000. The major effects of this provision would impact mostly large scale projects like mining and dam safety and significantly weaken the DNR's ability to ensure continued compliance with rules designed to protect the safety, health and welfare of Minnesota's citizens and potentially jeopardize future permits.

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

In addition to concerns in the Senate Environment Omnibus bill, the Senate State Government Finance Omnibus bill, SF605, imposes reductions that further impact our ability to provide results and services Minnesotans have come to expect. Of particular concern are provisions which mandate a reduction to state agencies for savings that could be realized by allowing employees to opt out of state health insurance benefits, employee gainsharing, and MN.IT cost reductions. Uncertainty about how much savings will be realized, combined with the challenges of allocating those savings to agencies, makes it a risky proposition to try to capture these savings in advances through reductions in appropriations.

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

DNR opposes the rulemaking technical changes as proposed in Article 2, Sections 7 through 9 of SF273. When combined with the rulemaking provisions in SF723 it is certain to decrease efficiencies and create additional burden for the public, in particular, permittees.

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

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

Sincerely,



Tom Landwehr  
Commissioner

c: Senate Environment & Natural Resources Finance Committee  
State Government and Policy and Elections Committee