Date: September 21, 2012

To: Adam Horst, Director
Indiana State Budget Agency

From: Robert E. Carter, Jr., Director
Indiana Department of Natural Resources

Subject: 2013 – 2015 Biennium Agency Overview

It is my pleasure to submit our FY2014 and FY2015 budget request for consideration by the Indiana General Assembly and the State Budget Committee. Even though state fiscal resources have been reduced, the Indiana Department of Natural Resources (IDNR) has had and continues to have many great accomplishments in the current biennium; all while providing excellent service to our customers. The information contained in this overview will demonstrate the diversity of programming within IDNR, as well as highlight the agency's accomplishments, challenges, and program performance for FY2011 and FY2012.

Key Performance Indicators

IDNR has three key agency performance indicators: **people served**, **licenses sold by the Division of Fish & Wildlife**, and the number of permits processed within a certain goal time, which is designated as **permitting efficiency**. The indicators are reported by the respective divisions, and then rolled up into a target number for the agency.

People served is defined as the number of people who buy a hunting or fishing license, or visit a state park or outdoor recreation property.

Licenses sold consist of the total number of licenses sold by the Division of Fish & Wildlife for hunting, fishing and trapping.

The final key indicator for IDNR is **permitting efficiency**, which is defined as the number of permits processed within a goal time period. The goal time period is usually established in the Indiana Code, Indiana Administrative Rule, or is set by a best practice standard to issue a permit in a certain time frame. Many of IDNR's regulatory divisions report data for this indicator.

IDNR has over 100 programs and subprograms. Of primary importance to IDNR are those programs that have a public health and safety, or resource protection component, or those for which there is a very strong identification to public recreation, such as our State Parks & Reservoirs operating program. We also place a great deal of emphasis on our permitting, inspection, and licensing programs. Below is a list of the IDNR divisions, and a brief summary of responsibilities performed under each division.

Division Overview

Entomology and Plant Pathology
Protect Indiana's agricultural commodities and exports from injurious, new or not widely disseminated plant and pests by certifying, licensing, permitting, and regulating nursery production and exportation.

Fish & Wildlife
Manage Indiana's fish and wildlife for present and future generations, balancing ecological, recreational, and economic benefits. The fisheries section monitors and researches fish populations and aquatic habitats in Indiana's freshwater lakes, streams, and rivers. In addition, the Fish & Wildlife division operates several state fish hatcheries that provide a source of additional fish for stocking purposes statewide. The wildlife section is responsible for managing 130,000 acres of wildlife habitat on 21 Fish & Wildlife Areas (FWA), providing technical and financial resources for wildlife habitat improvements on private lands, and conducting wildlife surveys and research. The wildlife diversity section is responsible for the conservation and management of over 750 species of nongame and endangered wildlife. The lake and river enhancement section provides financial and technical resources to address nutrient and sediment problems in publicly accessible lakes and rivers.

Forestry
Promote and practice good stewardship of natural, recreational, and cultural resources on Indiana's public and private forestlands. Programs include management of state forests and state recreation areas, cooperative forest management, tree seedling nurseries, wildfire prevention and protection, forest resource information and conservation education, forest health and protection, community and urban forestry and forestry related federal grant management, and timber buyer licensing.

Historic Preservation and Archaeology
Promote preservation of the state's historical, architectural and archaeological resources through education, environmental review, permitting, and certification.

Land Acquisition
Buy land from willing sellers to protect Indiana's rich natural heritage for wildlife habitat and recreation so that land is preserved and enhanced for current and future generations. Programs include the Indiana Heritage Trust and Bicentennial Nature Trust.

Law Enforcement
Enforce state laws and promulgated rules, which relate to the management and protection of Indiana's natural resources. Administer statewide outdoor education safety programs.

Nature Preserves
Acquire, dedicate, manage, and maintain Indiana nature preserves by working cooperatively with partners. Provide safe and appropriate public access. Control invasive species. Maintain Indiana Natural Heritage database, endangered plant list, natural areas inventory, and provide information on rare species to partners, agencies, and the public to enable effective conservation and appropriate economic development.

Oil & Gas
Administer Indiana's Oil & Gas Act regulating petroleum exploration and production operations including: well spacing, exploration, permitting, drilling, completion, production, and abandonment operations, underground injection of fluids for enhanced oil recovery or for production fluid disposal, and the underground storage of natural gas or other petroleum products in underground formations.

Outdoor Recreation
Prepare Statewide Comprehensive Outdoor Recreation Plan, manage streams and trails throughout the state, and administer seven (7) recreational grant programs, including: the federal Land and Water Conservation Fund, the Recreational Trails Program, the Shooting Range Program, Wabash River Heritage Corridor, Hometown Indiana, the State Trails Grant Program, and Lilly Trail Grants.

Parks & Reservoirs
Manage and interpret Indiana's unique natural, wildlife, and cultural resources by utilizing the principles of multiple use and preservation, while sustaining these resources for current and future generations. The division manages 24 state parks, 8 reservoirs (7 developed by the U.S. Army Corps of Engineers, and 1 developed as a state water project), and 1 forest.

Reclamation
Protect Indiana citizens, property, and environmental resources from the adverse effects of active coal mine operations through the regulatory program, and restore abandoned coal mine land to productivity through the restoration program.

Water
Administer programs focused on professional surface and ground water resource management. To accomplish this task, staff manages a wide variety of water resource related programs including dam safety, floodplain management, permitting, significant water withdrawals, surface and ground water assessment, and water use.

Accomplishments & Challenges over the 2011-2013 Biennium

IDNR has had many noteworthy accomplishments in the current biennium. The agency continues to utilize a mixture of state, federal, and private contributions to undertake a variety of projects ranging from collaborating with several partners to continue the Hoosier Outdoor Experience, which annually attracts over 20,000 outdoor enthusiasts, to implementing the Bicentennial Nature Trust grant program, which will celebrate the 200th year anniversary of the state by acquiring property for conservation. Even amidst tough fiscal times, the IDNR continued developing partnerships and reaching out to our customers to provide excellent service and new opportunities for participation in outdoor recreational activities.

Several additional accomplishments are highlighted below:

- State Parks and Reservoirs refunded facility bonds in order to pay for the Prophetstown Aquatic Center, and make necessary improvements and/or enhancements at several cabin and Inn facilities. The division is also much closer to being able to staff and open Trine State Recreation Area in Steuben County.

- The State Park Inns have had two years of record profit ($2.7M in FY11 and $3.4M in FY12) and continue as number one in the nation in occupancy rates for state park lodges, operated either publicly or privately.
- The Division of Water rehabilitated the Hamilton Lake dam; managed the construction of an outlet control structure and berm for Round Lake, which restored a 16-acre wetland nature preserve; and decommissioned Indianhead Lake Dam in Hendricks County. The division also inspected over 250 low and significant hazard dams and reviewed approximately 150 high hazard reports.
- The Division of Fish & Wildlife launched the largest land conservation initiative undertaken in Indiana, known as the Healthy Rivers Initiative (HRI). By the close of the second year, the HRI program added 8,485 acres to the existing 22,382 acres of land protected for conservation purposes in perpetuity. HRI has also received national recognition by the America's Great Outdoors Initiative, through the US Department of Interior.
- The Division of Fish & Wildlife (fisheries section) also studied the movement of Asian carp in the Wabash and Maumee River basins. A fence was constructed across the marsh to block movement of Asian carp between the basins.
- The Division of Forestry harvested 14 million board feet of timber, which brought in $2.7 million in revenue. The division also sold over 3.2 million seedlings each fiscal year of the biennium.
- The Lake Michigan Coastal Program (LMCP) provided over 37 grants totaling nearly $1.1 million to partners to plan for and manage coastal resources. The group also co-hosted the State of Lake Michigan and Great Lakes Beach Association Conference in Michigan City, Indiana.
- The Entomology division assisted in maintaining the spread of Gypsy Moth below the target of 4.8 miles/year.
- The Division of Law Enforcement consolidated the north and south regional dispatch centers into one 24 hour 7 day a week dispatch center.
- The Outdoor Recreation Division added 673 miles of trails to the Indiana Trails inventory, which is an increase of 28% over the past two years. The division is within 2.5% of reaching its goal of having a trail within 15 minutes or 7.5 miles of every Hoosier resident by the year 2016.
- The Division of Reclamation implemented a mobile computing program that allows staff to inspect current and previously mined areas. The program provides access to all maps, plans, permit documents, water quality data, etc. for these mined areas - and has saved time and money by reducing travel costs.

Many of the projects accomplished in the biennium would not have succeeded without working with our partners and using a variety of funding sources. As we continue in FY13 and look forward to FY14 and FY15, of primary concern is continuing to provide the same level of service our customers have come to expect utilizing aging equipment and outdated software systems that negatively impact efficiency, and are on the verge of not being supported. An attempt to address both of these concerns is addressed in our special initiatives section below.

Special Initiatives

Included in IDNR's budget submission for FY14 and FY15 are four special initiatives in priority order: 1) new services request to pay for the Annual Required Contribution (ARC) for our Conservation Officers' Other Post Employment Benefit (OPEB) liabilities; 2) a request to pay for fleet replacement vehicles for the agency; 3) a request to pay for Unity database upgrades for our Division of Water and; 4) request to provide funding for our Division of Forestry's Tree Inventory software program. **General fund dollars totaling $9.65 million over the course of the biennium, are being requested for all initiatives**.

1) *Other Post Employment Benefits (OPEB) for Conservation Officers – Indiana Code 5-10-8*

IDNR is requesting the Annual Required Contribution (ARC) to pay for the OPEB liability associated with the health insurance program offered to our Conservation Officers (active and retirees) and their dependents (over 900 members in total). The estimated amount of the ARC is $909,982 in FY14 and $786,235 in FY15 for a total biennial cost of $1,696,217. OPEB are employee benefits (other than pensions) that are received after employment with the state is terminated, such as health, dental, vision, life insurance, prescription drug benefits, etc. Government Accounting Standards Board (GASB) 45, requires public entities to account for OPEB liabilities in the same way that pension liabilities are reported on the state's financial statements. It is important that Indiana funds these OPEB liabilities, which is the reason that IDNR is seeking General Fund support to pay the ARC in fiscal years 2014 and 2015. IDNR and the Indiana Excise Police (co-policy holder) have made numerous benefit and premium revisions to assist in decreasing this liability as well. Disclosure of annual OPEB costs and the accrued liability will bring transparency to the benefits program, which will allow for informed policy decisions about the level and types of benefits provided by employers and methods for financing and managing these benefits.

2) *Fleet Replacement – Indiana Code 14-11*

IDNR is seeking a General Fund appropriation of $2.644 million in FY14 and $2.669 million in FY15 to replace vehicles that are in poor condition and have become, or will soon become unreliable due to the age and high number of miles on these assets. This request will allow IDNR to replace about 126 vehicles (or roughly 10% of the total fleet) in each year of the biennium. The average age of our existing fleet is about 7.5 years old, and average mileage on the 126 vehicles to be replaced is 120,000. As these older vehicles are becoming unsafe for our employees to drive, we are also seeing a higher than normal amount of maintenance and repair costs for these vehicles. Purchasing these vehicles is within the agency's fleet replacement plan that has been approved by the Indiana Department of Administration's Fleet Services section.

3) *Unity Database for Division of Water – Indiana Code 14-25; 14-27; 14-28; 14-29*

Another important initiative for IDNR is funding to re-write the Unity application as a .NET web-based application at a cost of $1.6 million in FY14 and $600,000 in FY15, for a total cost of $2.2 million for the biennium from the General Fund. Originally designed to replace over a dozen smaller applications that were in use in the Division of Water prior to the year 2000, Unity is a mission critical software package that is used by the Division of Water, to generate water permits, dam inspections, water use reporting, water well locations, floodplain management, violations tracking,

control structure management, conservancy districts, and more. Nearly every facet of work in the Division of Water is tied to the Unity program, and other divisions within IDNR as well as IDEM and the Department of Agriculture also use portions of the Unity database.

The critical problem with the current application is that the program is written in Microsoft Visual Basic 6 programming language, which will no longer be supported by the Microsoft Corporation once Windows 8 is released in early 2013.   Unity also currently uses outdated third party controls (programs) to generate reports, grids, and some of the screen forms, which will also not be supported by Windows 7 or 8. This means that without a re-write of the Unity application, the Division of Water would have to further delay normal desktop computer refresh, which is scheduled to happen for this division in 2014.

If this initiative is unfunded, at best the current application would be significantly impaired, and at worst the system will not function when computers are refreshed. The most significant impact will be felt in the division's ability to issue permits on time, and within the performance measure 'goal time period.' Significant delays could be realized by customers as water permits will have to be processed manually.

4) *Forestry Tree Order/Inventory Database – Indiana Code 14-23*

The Tree Order program is a software application in use at the Division of Forestry's tree seedling nurseries to manage the sale of tree seedlings. IDNR is requesting $450,000 in FY14 to re-write the current program as a .NET web-based application. Originally created in 1999, the program is used to enter seed orders, generate customer invoices, and process over the counter sales. The application also tracks which orders are going to be picked up by the customer, shipped via UPS, or delivered by a third party. Finally, the program provides management reports that are used by Nursery staff to assess the progress of sales, which seedling species are in high demand, daily income logs and some demographics of their customer base. The nursery program sells about 3.5 million tree seedlings each year, and generates about $1.1 million in revenue.

As with Unity, the main problems with this application are that it was written in the soon to be unsupported Microsoft Visual Basic 6 programming language, and also uses third party controls to generate reports and forms. If this initiative is not funded, the most significant impact will be that all tree seedling sales will revert to a manual system that was last used almost 30 years ago. This means that it will take much longer to fill seedling orders and would require additional staff time to process orders and track the seedling inventory for sale.

Objectives for the next Biennium

During the current biennium, IDNR has taken every opportunity to review programs and related business practices to reduce operational costs yet provide services required by law and those services our customers expect. We have continued to hold public meetings, conduct surveys, and listen to public opinion. It is important our customers understand the purpose and benefits of IDNR. To enhance our existing programs and to provide the best possible quality in our future programming, we will continue to seek out new partners, sponsorships, donations, volunteerism, and/or other forms of support from individuals, foundations, corporations, non-profit organizations, and other entities. We will also continue with efforts to review our organizational structure (see IDNR Organization Chart in Appendix 1) in order to obtain increased efficiencies and streamline processes.

Thank you for your continued support of the IDNR. I look forward to working with the Indiana General Assembly and the staff of the State Budget Agency as you consider IDNR's budget request for the 2014-2015 biennium.

Respectfully,

Robert E. Carter, Jr., Director
Indiana Department of Natural Resources