



# Ohio Department of Natural Resources

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**OHIO DEPARTMENT OF NATURAL RESOURCES  
 FY 2012-2013 BUDGET TESTIMONY  
 SENATE FINANCE COMMITTEE  
 May 5, 2011**

Chairman Widener, Ranking Minority Member Skindell, and members of the committee, I am David Mustine, Director of the Department of Natural Resources. Thank you for the opportunity to testify today concerning the Department’s diverse programs and activities for the FYs 2012 and 2013.

To save time, I request that you refer to the Legislative Service Commission’s “Redbook” for the most recent statistics of the Department’s nature, size, and responsibilities.

**BUDGET HISTORY**

Since 2004, the department’s GRF funding has been reduced 40 percent, excluding debt service. During that same time period, staffing levels within divisions and offices funded mainly by General Revenue have decreased 23 percent.

**TODAY’S BUDGET PICTURE**

The department’s total debt service is \$25.9 million in FY 2012 and \$44.9 million in FY 2013. These appropriations are related to past Natureworks, Parks and Recreation, and Fountain Square capital programs. These funds are non-discretionary – placed in the DNR budget for financial reporting purposes – and cannot be used for any other purpose.

ODNR’s Proposed General Revenue Budget (excluding debt service)

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|---|---|
| Operating Funds<br>FY 2012<br><b>\$45,444,806</b> | Operating Funds<br>FY 2013<br><b>\$45,452,166</b> |
|---|---|

**HOUSE SUBSTITUTE BILL 153**

- We are concerned that the proposed budget reductions by the House for the ODNR Divisions of Forestry and Ohio State Parks will impede those divisions ability to provide essential services to Ohioans. We would ask that the Senate restore those funds.

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| Forestry<br>FY 2012<br><b>-\$128,572</b> | Forestry<br>FY 2013<br><b>-\$130,257</b> | Ohio State Parks<br>FY 2012<br><b>-\$294,691</b> | Ohio State Parks<br>FY 2013<br><b>-\$294,691</b> |
|--|--|--|--|

- Coal and Industrial Mineral Regulatory Program received \$3 million in biennium funding through the Coal Worker’s Pneumoconiosis (black lung) Fund. However, we request the Senate to provide the department the appropriation authority to spend those funds. These funds are critical to maintain an effective coal mining regulatory program.
- If the Division of Natural Areas and Preserves remains a division (as opposed to being integrated into Ohio State Parks as proposed in the Executive Budget) the department will have a structural hole in its budget. We ask the Senate to reinsert the language as proposed in the Executive budget.

**OHIO DEPARTMENT OF NATURAL RESOURCES  
FY 2012-2013 BUDGET TESTIMONY**

**PRIORITIES**

The department will focus on **five areas** to help us meet the mission of the department and build toward a stronger future:

- 1) **Continue oversight on natural gas and oil activities as enabled through Senate Bill 165.** The department remains steadfast in its commitment to further developing regulatory rules for the protection of Ohioans and safety of the environment, while recognizing the opportunity for job creation and economic growth that this industry could bring to Ohio, especially in regards to Utical shale.

New rules to further strengthen the inspection process will be submitted soon thanks to legislative support for SB 165 during the 128th General Assembly.

- 2) **Fund capital expenditures in state parks by receiving authority to expand leasing rights of DNR-owned lands to include state park lands for natural gas exploration and production.**

- Create new streams of revenue to address the \$573 million deferred capital maintenance:

|                             |               |
|-----------------------------|---------------|
| Waste water system upgrades | \$50,000,000  |
| Dam modernization           | \$111,000,000 |
| Modernize vault restrooms   | \$64,000,000  |

When capital projects cannot be funded and general revenue is reduced it becomes a Catch-22. Quality of park facilities, amenities, services and lands diminish; this translates into a drop in visitorship and ultimately loss of revenue, projected to be \$32.3 million in 2012. Deferred maintenance projects directly impact the quality of experience that visitors to state parks enjoy.

- 3) **In-depth look at the future of Ohio State Parks**

- Manage the immediate impacts of GRF reduction for FY 2012 & 2013:
  - Decrease field budgets by 3.5 percent
  - Reductions in staff through attrition
  - Rely on cash in rotary funds
- Review competitive with private industry (i.e. water parks and other outdoor venues).
  - Determine additional changes to achieve long-term cost savings; partnering with local parks in some areas.
  - Reform how Ohio State Parks is managed and does business.
  - Analyze and act on how to make state park lodges more viable: Lodge sustainability study to be implemented soon.

- 4) **Soil and Water**

Phosphorous loading into Ohio's lakes and streams is a growing problem across the state. The immediate focus is on Grand Lake St. Marys, but equally concerning are the amounts found in the Maumee River Watershed and Western Basin of Lake Erie.

Ohio's soil and water conservation districts play a vital role in delivering state and federal conservation programs and funding at the local level.

**OHIO DEPARTMENT OF NATURAL RESOURCES  
FY 2012-2013 BUDGET TESTIMONY**

- Recognizing the positive impact soil and water conservation districts have on local communities, the department:
  - Met with the Ohio Federation of Soil and Water Conservation Districts and pledged its support and continued partnership.
  - Included budget language to create a Conservation Program Delivery Task Force, through the Ohio Soil and Water Conservation Commission, to provide recommendations on how the statewide conservation districts “may advance effective and efficient operations, while continuing to provide for local program leadership.”
  - Is requesting that the Senate make the temporary Scrap Tire Fee Program a permanent source of funding for Soil & Water conservation Districts. This program, coupled with the permanent municipal solid waste fee (\$0.25) and construction debris and disposal fee (\$0.25), would provide estimated revenue of \$8 million for the biennium.

**5) Coal and Industrial Mineral Mine Safety and Regulatory Program**

- The issue of finding a permanent source of funding must be addressed during this term of the General Assembly. We do not recommend use of black-lung funds beyond the next biennium.

**EFFICIENCIES**

The department has taken assertive steps over the last several years to address budget reductions and reforms, including the merging of divisions and inter-departmental shared services.

- The department has established a process for divisions to develop goals and targets that will assist them in working within their operational and budgetary frameworks. These fall under five broad categories:
  - Safety
  - Financial
  - Continuous improvement
  - Customers service
  - Learning and development

Divisions presented their goals to the administration in April and they will be finalized in May.

- **Support by non-GRF divisions to GRF-reliant divisions and offices.** Examples include shifting more of the patrolling of inland State Park lakes to Division of Watercraft officers and utilizing grants from non-game funds to support the State Park naturalist and interpretive programs.
- **Seasonalizing smaller state parks provides cost savings,** but results in fewer services, reduced public safety and protection, and less choice of campsites and organized family activities. Some smaller parks also have become satellite operations where full-time staff is no longer assigned; a park manager is no longer stationed at 33 of our state parks.

**OHIO DEPARTMENT OF NATURAL RESOURCES  
FY 2012-2013 BUDGET TESTIMONY**

**NEW INITIATIVES / REVENUE ENHANCEMENTS**

Following are steps that we will take to make the department more effective and efficient – initiatives that we are proposing to meet our mission to “ensure a balance between the wise use and protection of Ohio’s natural resources for the benefit of all.”

**1. Forestry – Timber Sales Personal Services Contracts**

This will allow the Division of Forestry to enter into contracts for consulting services with private businesses. Outsourcing will help grow jobs in Ohio while allowing employees of the Division of Forestry to focus on their core mission of managing for healthy, sustainable state forestlands. Compensation for these consulting services will be paid from the proceeds of timber sales or other forest products and related inventory.

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|---|---|
| FY2012<br>Estimated<br><b>\$225,000</b> | FY2013<br>Estimated<br><b>\$225,000</b> |
|---|---|

**2. Geological Survey – Value-added Products Fee**

The Division of Geological Survey currently creates new, separate products upon request from a variety of users. This amendment enables the division to establish a fee schedule for these “value-added” products, which are often GIS-based maps, in order to recoup the costs of creating these products.

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| FY2012<br>Estimated<br><b>\$60,000</b> | FY2013<br>Estimated<br><b>\$60,000</b> |
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**3. Ohio State Parks**

- **Sale of Timber & Forest Products from State Park Lands.** Removal of standing timber on state park lands already occurs for the safety of the public and property, to improve wildlife habitat, protect against wildfires, provide access to recreational facilities, and improve the quality or appearance of any state park. Working with the Division of Forestry, this extension of authority will result in 75 percent of proceeds from sustainable forest timbering to the credit of the State Park Fund, and 25 percent to the State Forest Fund.
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|---|---|
| FY2012<br>Estimated<br><b>\$250,000</b> | FY2013<br>Estimated<br><b>\$250,000</b> |
|---|---|
- **Grant the chief of Ohio State Parks authority to lease, transfer or sell mineral rights on state park lands.** This will enable the chief to generate revenue for state park facility maintenance, repair, renovation, and capital improvements.
  - **Creation of the Parks Mineral Royalties Trust Fund and Parks Mineral Royalties Fund.** Revenue from leasing will go into the Parks and Recreation Fund and immediately begin to be used offset state parks’ \$573 million maintenance backlog. Royalties earned from oil and natural gas discoveries (finite fossil fuels) will be invested into the interest-bearing Parks Mineral **Royalties Trust Fund**. Up to 10 percent of the principal from this fund can be transferred to the Parks Mineral **Royalties Fund** on an annual basis to support capital improvements, maintenance, repair and renovations within Ohio State Parks.

These funds will not be used for operating expenses.

**OHIO DEPARTMENT OF NATURAL RESOURCES  
FY 2012-2013 BUDGET TESTIMONY**

**CONCLUSION**

Ohio's natural resources are abundant and diverse. The mission of this department is to provide stewardship and wise use of those resources. This budget before you presents a variety of challenges to that mission. Yet, as often said, with challenge comes opportunity.

Through new sources of revenue, continued leveraging of partnerships, and a focus on being efficient and effective, we can provide quality service to our customers while managing the natural resources of our great state.

Your support and guidance are an important part of this process and we welcome your input.

My staff and I are on hand this afternoon and in anytime in the future to answer your questions.

Thank you.