



Ohio Department of Natural Resources

JOHN R. KASICH, GOVERNOR

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**Senate Finance General Government and Agency Review Subcommittee
Testimony on House Bill 49
Provided by Ohio Department of Natural Resources Director James Zehringer
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Good morning Chairman Jordan, Vice-Chair O'Brien and Members of the Senate Finance General Government and Agency Review Subcommittee. My name is Jim Zehringer, and I am the Director of the Ohio Department of Natural Resources (ODNR). I appreciate the opportunity to address the committee regarding ODNR's portion of the biennial budget. I am joined today by various chiefs from the department who are representing their divisions, and they will be happy to help answer questions at the conclusion of my testimony.

Before I begin, I would like to thank Director Keen and the Office of Budget and Management for their hard work on ODNR's portion of the budget. Their assistance helped us craft a responsible budget that will allow us to continue to make Ohio a leader among states in recreational pursuits and regulatory achievement.

Our budget makes the most of a number of funding opportunities that exist separate from the General Revenue Fund (GRF). These efforts to secure funding sources, which include federal funds or dedicated purpose funds, have helped us reduce our GRF funding to the point that these monies make up only 31 percent of ODNR's overall budget. It is important to note that from our total GRF funding, 58 percent is used to pay for debt service over the biennium. This means that only 42 percent of the GRF funding provided to ODNR in this proposed budget will be used for operational purposes. Compared to the last biennial budget, ODNR has no operational growth in GRF funding.

Investment in Ohio's Infrastructure

Over the last six years, Governor Kasich and the General Assembly have continued to support ODNR's efforts to address a long-neglected, crumbling state-owned infrastructure. Our state park cabins, campgrounds and lodges had gone decades without essential updates and, in many instances, the simple basic maintenance that kept them warm, safe and dry for visitors. Our dams had aged and decayed to the point that downstream communities across the state were in danger of being suddenly flooded when these decrepit structures finally gave way. ODNR raised these concerns, and the Governor and General Assembly heeded our call for assistance. They have made an unprecedented investment in Ohio's state park properties and state-owned dams.

This commitment to providing Ohioans with safe, updated facilities has led to nearly \$400 million being spent on Ohio's dams and park facilities. These capital dollars were invested to preserve Ohio's outdoor spaces for future generations, and these dollars will help protect Ohio's downstream communities from potentially catastrophic dam failures. This investment should provide increased safety, security and entertainment for decades. However, our job does not end when the contractors are done. We must work to preserve and maintain our investment. We must make sure that we do not travel the well-worn path of neglect that has previously

plagued our state-owned facilities. We need to commit to maintaining the success of our current efforts and spend our dollars wisely, not simply to expand upon these projects, but to ensure that they are protected and preserved.

I often talk about the scope of ODNR's responsibilities across Ohio, with multiple facilities in every county in the state. We are the largest land-holding agency in state government, responsible for more than 714,000 acres of land, including 74 state parks, 21 state forests, 136 state nature preserves and 146 designated state wildlife areas. We also oversee more than 120,000 acres of inland waters, 7,000 miles of streams, 451 miles of the Ohio River and 2.25 million acres of Lake Erie. Each of these locations, along with every mile of soil and water, come with some level of responsibility that they be maintained for the enjoyment and benefit of every Ohioan. We work hard to fulfill that mission, and we appreciate the support and confidence the General Assembly and Governor Kasich continue to display in us through their investment in our state-owned facilities and infrastructure.

State Park Maintenance Fund and Preserving our Investment in Ohio's State Parks

In the 130th and 131st General Assemblies, a total of \$126.5 million in capital funds was provided to ODNR to help rehabilitate, renovate and replace aging facilities at our state park properties in every corner of the state. This is a massive investment, and ODNR wants to ensure that these facilities do not once again fall into the same level of deferred maintenance that occurred prior to Governor Kasich taking office. With this in mind, I am pleased to report that the budget bill contains language creating a new fund called the State Park Maintenance Fund, which is dedicated specifically for the maintenance, repair and renovation of Ohio state park and watercraft facilities.

The State Park Maintenance Fund will require the allocation annually of at least 5 percent of the average of the previous five years of deposits into the state park fund, which come from cabins and campgrounds. As one of only seven states in the nation where admission to state parks is free, this fund will be vital in providing funding for necessary routine maintenance. Ohio's state parks welcome more than 55 million visitors annually to hike, fish, swim, paddle, golf, camp and enjoy Ohio's scenic landscapes. These funds will help ensure the preservation of our facilities for their long-term enjoyment and perpetuate the investment of the last two General Assemblies.

In 2014, the General Assembly offered a historic \$88.5 million investment in Ohio's state park infrastructure. Those funds have now been utilized at dozens of state parks -- updating cabins, creating full-service campsites to accommodate the demand of larger more luxurious RVs, building splash pads and installing playgrounds. ODNR used an online survey to request the assistance of Ohioans in helping to identify how this money should be spent. More than 8,000 people have responded to date, and we continue to accept suggestions to this day.

The reviews from customers about these improvements has been overwhelmingly positive and has led to an increased interest from visitors not only from Ohio, but has garnered national and international acclaim. Hocking Hills State Park routinely appears in travel publications and blogs as a "hidden gem" or "most scenic

vacation spot,” and this attention has helped bring Ohio long-deserved attention for the outdoor recreational opportunities that exist here in the Buckeye State.

Because of the commitment shown by the General Assembly, this same story is playing out at ODNR properties and parks statewide as we continue to invest in Ohio by providing safe, welcoming facilities, activities and opportunities to the people who want to be outdoors. Updated cabins, upgraded camping sites, improved lodges and modern boating facilities are the things we are building, and people are taking notice. We recently opened a new state of the art marina at Caesar Creek State Park, and this year we will be adding a new marina for boaters to enjoy that visit Alum Creek State Park. By listening to our users’ suggestions, we have been able to improve the experience of visitors at each of our parks as improvements are made. For example, at Alum Creek the new marina project was not the only improvement, but new bathrooms, improved boat launch ramps and upgraded campsites were also added. Also, our lodges, which range from the hills of southeast Ohio to the shores of Lake Erie, have all received updates. Additionally, we added a new beach house at East Fork State Park in Clermont County, which helped us secure a U.S. Rowing championship event that brought thousands of people from across the nation to the Cincinnati area.

Demands on our facilities are only expected to increase, and it is essential that we maintain and improve these accommodations for the customer of the 21st century. It is our mission to provide a safe and memorable place for people to enjoy outdoor recreation. To achieve this goal, it is imperative that our operational funds are spent providing safe, enjoyable activities and opportunities for our customers. This dedicated State Park Maintenance Fund will allow ODNR to provide consistent, effective maintenance at each of Ohio’s state park properties as it is needed, which will help visitors have a more enjoyable experience at our state park properties. Additionally, this fund will not include any GRF funds, and capital funds cannot be used for regular maintenance, meaning that establishing a state park maintenance fund is critical to maintaining park and watercraft facilities moving forward.

At the direction of Governor Kasich, ODNR has worked hard to transition the department into an agency that provides high-quality services and promotes Ohio’s abundant resources. ODNR has made it a priority to update state park facilities to make outdoor experiences more safe and appealing for our constituency.

In my testimony, I will further outline the department’s accomplishments that have allowed us to become innovative and efficient, as well as what ODNR is proposing in this budget to continue achieving the department’s mission of ensuring the protection and wise use of Ohio’s natural resources for the benefit of all.

Protecting Ohio Communities through Proper Infrastructure Management

Dam safety continues to be a top priority of this administration, and it is essential that we continue efforts to maintain and repair Ohio’s current dam infrastructure. The ODNR Division of Water Resources regulates and inspects more than 1,500 private and state-owned dams. These dams include 363 Class I structures that could, if they were to fail, potentially cause loss of life.

When Governor Kasich took office, decades of inattention to century-old private and public dams had created deficiencies in Ohio's infrastructure that had to be quickly addressed to help protect communities across the state. Recognizing the urgent need to address this critical threat, ODNR sought funds to rehabilitate Ohio's dams. Governor Kasich and the General Assembly have responded with a \$261 million investment to date that is allowing us to repair and replace dangerous structures to protect recreational users and secure the safety of downstream communities.

ODNR itself owns 56 Class I dams, many of which were in decades-long need of rehabilitation when this administration began. These dams included structures at Buckeye Lake, Hueston Woods, Portage Lakes, Mt. Gilead, and Shawnee state parks, all of which posed a threat to the people living in their flood inundation zones, and all of which have been repaired or are currently being remediated.

Buckeye Lake Dam continues to be a priority for the public, and the work being done there, along with Ohio's commitment to dam safety, have received national acclaim. The Buckeye Lake project is scheduled to be completed by the end of 2018, nearly two years ahead of schedule, and that project remains on budget. These are great accomplishments, but these types of successes: repairing failing dams and spillways and responding to emergency situations during high water events, often go unnoticed in many parts of the state. ODNR continues to successfully address these situations daily.

One example is the dam at Lake White in Pike County. We observed seepage through the spillway, and within hours took action to reduce the pool level protecting the public. The fact that we observed the issue and took action immediately to lower the water level before a major breach speaks to our state's dam safety program. After such an event, the department worked diligently to fix the dam and secure the safety of the structure. We recently finished the dam rehabilitation work last month and the Lake has returned to full pool. We are sure the citizens of Pike County will be excited to have this source of recreation back.

We will continue to address multiple legacy infrastructure issues across Ohio on our state-owned dams and to ensure the citizens of Ohio are properly protected. Our commitment to protecting our communities from potential dam failure has received national acclaim, but the work is not complete. Evaluation and rehabilitation on Class I dams is continuing as we work to repair and maintain our dams statewide.

Maintaining Ohio's infrastructure requires constant vigilance, as we have discovered it is often too easy to "kick the can down the road," and let what is a small concern now continue to grow into an immediate threat in the future. We are addressing that "immediate threat" now, but we intend to fix and maintain our dams for the benefit of our communities now and for future administrations.

Effectively Regulating Ohio's Natural Resources

As a department tasked with the regulatory authority of so many of our natural resources, ODNR has the responsibility to protect Ohio's citizens while at the same time regulating the extraction of our state's resources. Public health and safety is our top priority when regulating any industry, and it is a job we take very seriously. One of the divisions tasked with regulating such industries is the ODNR Division of Mineral Resources

Management. Our mineral resources division is responsible for permitting, inspections, abandoned mine reclamation, and miner safety responsibilities over the coal and industrial mineral industries in the state of Ohio.

It is no surprise that there has been a historic decline in coal tonnage produced in Ohio and across the country, leading to a loss in coal severance tax revenue. In fact, since 2011, there has been a 50 percent reduction in coal tonnage, equating to 14.2 million tons. Such a significant decline has presented challenges for the division. The federal government has given ODNR primacy to regulate the coal industry in Ohio, and we continue to provide the coal miners that work in Ohio with a safe environment in which to work.

In an effort to maintain Ohio's primacy, as well as high inspection and regulatory standards, ODNR has proposed transferring all salt and coal severance tax revenue from the Geological Mapping Fund to the Mining Regulation and Safety Fund. This transfer will help the ODNR Division of Mineral Resources Management ensure they have the resources they need to properly provide a safe work place for Ohio's coal miners.

The ODNR Division of Oil and Gas Resources Management (DOGRM) oversees the responsible extraction of Ohio's oil and natural gas resources, including oil and gas drilling and production operations, natural gas storage, oilfield waste treating, processing and recycling, brine disposal and solution mining operations. The work is carried out by a staff of highly skilled and experienced geologists, engineers, and oil and gas inspectors. In order to continue to safely regulate this industry, the division has purchased and implemented new technology over the past biennium. The division has acquired 12 additional micro-seismic monitoring stations, including nine with strong motion accelerometers, which increase our ability to detect and mitigate any induce seismic activity in Ohio's shale play. These seismic stations bring the total number of stations to 39, reinforcing ODNR's commitment to proving a responsibly regulated oil and gas industry, which continues to be a nationally and internationally recognized leader in regard to our proactive efforts in monitoring induced seismic activity. DOGRM has also purchased Forward Looking Infrared (FLIR) cameras to monitor wells and storage facilities in order to help detect escaping gases, which are undetectable to the naked eye. The FLIR cameras assist the division's staff in emergency response to locate the source of a gas leak and to protect public health and safety.

Another program that we oversee is our state's Orphan Well program, which was established in 1977 to plug improperly abandoned oil and natural gas wells. If unaddressed, orphan wells may pose a significant threat to public health and safety, the environment, conservation of our natural resources, and economic development. Funded through the state's tax on oil and gas production, Ohio's program has plugged more than 1,900 orphan wells. Extensive title review and historical research is conducted to locate prior owners who would be legally obligated to plug the well. If an owner is not found, the well is considered to be 'orphaned' and plugged by the program. There are approximately 700 known orphan wells in Ohio, but because of Ohio's extensive history of oil and gas production, more orphan wells continue to be discovered.

In order to improve plugging efficiencies and to ensure that contractors are qualified to perform the work, the division performed an extensive revision to its contracting process, beginning in 2016. In conjunction with the Department of Administrative Services, DOGRM revised its contracts and certified a group of 29 bonded and

insured contractors to plug wells. The revamped contracting also combines orphan wells into packages based on geography. All of these revisions will improve plugging efficiencies and enhance competitive bidding opportunities.

In the “As Passed by House” version of the budget, the proposed modifications expediting the unitization process limits the notification timeframe for unleased mineral owners and is shortsighted in consideration of administrative processes conducted by the applicant and division. Unitization applications are frequently incomplete when filed and require the filing of supplements, delaying when the division can notify landowners of a required hearing. Properly certified notice to unleased mineral owners may take weeks to accomplish. Further, requiring a decision within 30 days of a hearing is an insufficient timeframe that does not account for a standard 30-day time period for a hearing transcript to be received by the division and is an insufficient timeframe to obtain any additional information requested or supplemented at the hearing. Limiting the unitization process disincentivizes applicants to continue negotiating with unleased mineral owners and is administratively impractical. Desires for an expedited timeframe should not overshadow the complexities surrounding the one-time economic opportunity to extract oil and gas resources.

Similarly, the house-passed version of the budget has a provision which required a reasonable interest charge of 200% applied to unleased mineral interest owners which is shortsighted. Setting a fixed percentage eliminates administrative flexibility. Furthermore, it is inconsistent with the analogous Mandatory Pooling statute, which specifies that the charge cannot exceed 200%. Establishing a fixed 200% reasonable interest would impact all unleased mineral owners equally, whether it be publicly or privately owned. Depending on the oil and gas market as well as output of a well, it could take 25-30 years for a landowner to receive their full royalties if this fixed percentage were to become law. That is why it is our belief a reasonable interest charge should not be fixed. Rather, it should be flexible and consistent with similar statutes.

Spanning more than 21 counties with 21 state forests totaling more than 200,000 acres and roughly 8 million acres of non-public forest land, the ODNR Division of Forestry is responsible for overseeing the sustainable harvest of Ohio’s timber. As a renewable resource and a sought after product both nationally and internationally, the harvest of Ohio’s timber has an economic impact to the state of \$22 billion annually. Schools in some of Ohio’s most disadvantaged areas also benefit from timber harvests on Ohio’s state forests through the “Trees to Textbooks” program. Last year, the ODNR Division of Forestry provided more than \$1 million to 16 rural school districts.

Beyond regulating timber harvest, forest management staff within the division work with mine reclamation projects, state parks, municipalities and universities on proper forest management, providing resources, expertise and funding. The Division of Forestry is responsible for the training of forest firefighters who protect more than 6 million acres of our state’s forests and woodlands from wildfires. In fact, it was their expertise that prevented the recent Hocking Hills Dining Lodge fire from spreading to the landscape around it, which could have caused catastrophic damage to Hocking Hills State Park.

Each year, these Ohio trained foresters are also dispatched across the country to help other states when they are in need of assistance. Most recently they provided equipment and assistance in battling the Gatlinburg, Tennessee, fires. This benefits Ohio and its citizens should we find ourselves in a similar predicament because then the same type of resources would be reciprocated from other states. Furthermore, the Division of Forestry distributes millions of dollars in grants to volunteer fire departments and other fire protection agencies to improve wildfire preparedness. Overall, the ODNR Division of Forestry's impact on the state and the Appalachian region is significant.

Abundant Recreational Opportunities

Our Division of Forestry is not only responsible for the health of our state forests, but it is also ODNR's largest land-holding division, which provides several recreational opportunities. One recreational aspect, which has increased considerably during my tenure, is the expansion of All-Purpose Vehicle (APV) trails. The Division of Forestry has administered and maintained APV trails in Ohio's state forests for 40 years with roughly 90 miles of trail located on Richland Furnace State Forest in Jackson County, Pike State Forest in Pike County, Perry State Forest in Perry County, and Maumee State Forest in Henry County.

The State Recreational Vehicle (SRV) Fund has been used to provide opportunities for motorized sport enthusiasts that enjoy visiting Ohio's APV trail locations. These trails are primarily funded through the sale of APV registrations and a small percentage of the gasoline tax. Currently, there are plans to use these funds to expand APV areas at Maumee, Pike and Zaleski state forests. If these expansions were to occur, they would make Ohio an APV destination for enthusiasts across the country.

Traditionally, these groups of sportsmen and women were underserved, but in recent years, this administration and the ODNR Division of Forestry have begun utilizing the SRV Fund to create more opportunities for them to pursue. In the last three years alone more than \$1.4 million has been invested from this fund to provide law enforcement for rider safety, property, purchase materials, tools and labor to provide miles of additional trails for APV enthusiasts. The funds remaining will be used to purchase properties for trail development and are also being leveraged as a match source to bring more federal dollars into the state for motorized vehicle trail development. Currently, ODNR has plans that would bring nearly 100 miles of additional trails to our state forests for motorcycle, APV and snowmobile riders. Without access to the SRV Fund, it is likely that these additions would go unrealized and ODNR's ability to maintain the operation of the existing trails would likely cease.

Over the past few years, the ODNR Division of Wildlife has transitioned to an electronic licensing system, which has allowed sportsmen to purchase licenses, tags and permits through a computer or a smart phone. The goal of this system is to create a quicker, more convenient way for anglers and hunters to pursue their outdoor activities. By providing electronic options, people who want to go fishing or hunting are able to secure what they need more easily, whether they are at home or in the field. For example, a fishing license no longer requires a visit to a retail location, but can simply be purchased online, allowing for more convenience for anglers and more time on the water. Currently, the system provides service to more than 1 million customers,

and it processes more than 2 million licenses, tags and permits annually. As technology evolves, the ODNR Division of Wildlife has updated this system with the Ohio Wildlife Licensing System, or OWLS. The new system will help streamline the sales process, simplify navigation, allow free license reprints and enable permits to be emailed directly to people. This is another way we are transitioning to make these recreational opportunities more appealing to all customers.

Being able to not only preserve but also expand the number of hunters and anglers in the state of Ohio is critical to the operations of the ODNR Division of Wildlife. Right now, federal funding available to states from the excise tax implemented through Pittman-Robinson (hunting equipment) and Dingle-Johnson (fishing equipment) is at an all-time high. The number of licenses purchased in the state for hunting and fishing directly impacts how much of this federal funding comes into Ohio. Without these federal funds, the Division of Wildlife would not be able to do first-class research, provide surveys, preserve wildlife habitats or purchase land. By utilizing the licensing system technology, I believe ODNR will be able to expand our customer base, which will allow for this funding to be directed to Ohio instead of to a competing state.

Seeking Efficiency and Cohesiveness

During my tenure, in an effort to make the department more efficient, ODNR has combined divisions and offices to create a more cohesive, customer-friendly approach to serving Ohioans. We continue to eliminate duplicative services both internally and in other state agencies. Through attrition, ODNR has also reduced the number of employees from 1,800 to 1,665. ODNR has maintained its level of service due to our consolidation of divisions and elimination of duplicate services since 2012.

In 2016, the General Assembly passed the ODNR Mid-Biennial Budget, which featured the merger of the Division of Parks and the Division of Watercraft. Looking to find efficiencies within the department, we discovered Ohio was the only state in the nation with a standalone division of watercraft. As we examined our two divisions, we believed that their missions, their responsibilities and their stakeholders overlapped. By combining the two divisions, we realized we could create a more user-friendly division at a significant savings to the department, while also increasing safety in our parks and waterways.

With this merger complete, the ODNR Division of Parks and Watercraft now has all of their law enforcement officers serving Ohioans both in state parks and on the water, increasing our officer presence throughout our parks system. Due to this merger, the division has ended several leases on current watercraft offices and moved their operations to permanent offices located at state parks across Ohio. Not only has this resulted in lower operational costs, we've also improved response times in the case of an emergency on land or water. Overall, the department has realized a savings of more than \$1 million.

While ODNR continues to look for ways to become more efficient internally, the department has also collaborated with other agencies in an effort to bring good government to the citizens of Ohio. Previously, the Ohio Environmental Protection Agency (EPA) and ODNR both had recycling programs. We consolidated the programs under Ohio EPA for ease of use to our customers.

Another example that just made common sense was how we manage farms in Ohio. The Ohio Department of Agriculture (ODA) regulated the larger farms, and ODNR oversaw the smaller farms. Last year we consolidated, moving the Ag Pollution Abatement program over to ODA, so Ohio could combine resources and staff to more efficiently provide services and regulation of Ohio's farming community.

ODNR has also made changes to improve IT efficiencies, as we were one of the first state agencies to fully embrace IT Optimization. We moved our data center from in-house to the centralized State of Ohio Computer Center (SOCC) under the Ohio Department of Administrative Services. This allows the department to run more efficiently, utilizing virtualized servers while providing around-the-clock quality customer service through specialized risk prevention staff. We also see a financial benefit by not having to purchase servers and equipment, as well as through ongoing staff attrition.

We moved our phone system not only at Fountain Square, but throughout our state field offices to Voice over Internet Protocol (VoIP), providing a considerable cost savings in the reduction of circuits and equipment. The same is true with our internet services. By utilizing the Ohio One Network, we can realize increased bandwidth while capturing that same low cost. Looking forward, we will continue to evaluate opportunities to maximize efficiency while providing value added services, which will keep ODNR at the forefront of technology.

Finally, last year ODNR and the Ohio Department of Rehabilitation and Correction forged a partnership, which will allow for the construction of "Sherman Cabins" by inmates at the Chillicothe Correctional Institute. Not only does this allow for the construction of these popular cabins for a reduced cost with timber products provided by the ODNR Division of Forestry, this program will also provide these inmates with important vocational trades, such as carpentry and electrical skills, which could translate into employment once they are released. This is a "win-win" for both departments, as well as an example of the results that can occur when sister agencies partner together in the pursuit of providing something better for every Ohioan.

In conclusion, while the functions ODNR is responsible for overall are very diverse, the department at the direction of Governor Kasich has worked to find ways to be both innovative and efficient. Whether it is the recreational activities that require the department to implement ways of attracting a broader customer base, or the regulatory aspects that necessitate the department's due diligence to ensure Ohioans are properly protected, ODNR will continue to work with all parties to ensure Ohio's resources are utilized responsibly.

Thank you Chairman Jordan and members of the committee for the opportunity to provide testimony on the Department of Natural Resources. The division chiefs in attendance and I will be happy to answer any questions you may have at this time.