

Minnesota Department of Natural Resources

500 Lafayette Road · Saint Paul, Minnesota · 55155-4037

Office of the Commissioner

651-259-5555



November 14, 2008

The Honorable Ellen R. Anderson
State Senator – District 66
120 Capitol
Saint Paul, Minnesota 55155-1606

The Honorable David Dill
State Representative – District 6A
571 State Office Building
Saint Paul, Minnesota 55155

The Honorable Jean Wagenius
State Representative – District 62B
449 State Office Building
Saint Paul, Minnesota 55155

The Honorable Satveer S. Chaudhary
State Senator – District 50
205 Capitol
Saint Paul, Minnesota 55155-1606

The Honorable Kent Eken
State Representative – District 2A
575 State Office Building
Saint Paul, Minnesota 55155

Enclosed you will find a report summarizing GAME AND FISH FUND HUNTING AND FISHING REVENUE/EXPENDITURE ALLOCATIONS.

The Department of Natural Resources was required by Minnesota Session Law 2007, Chapter 57, Article 1, Section 4, Subdivision 7, to develop this report summarizing: (1) allocation of game and fish fund receipts and expenditures related to fishing and hunting activities for fiscal years 1989 to 2007 and projected receipts and expenditures for fiscal years 2008 and 2009; (2) recommendations for short-term changes to correct any imbalances; and (3) recommendations for long-term changes that will ensure that fishing license revenue is adequate to cover fishing-related expenditures and hunting license revenue is adequate to cover hunting-related expenditures.

Please let me know if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads "Mark Holsten".

Mark Holsten
Commissioner

MH/JLS/jls; Enclosure

c Ms. Laurie Martinson, Deputy Commissioner, Department of Natural Resources
Mr. Bob Meier, Assistant Commissioner for Policy and Government Relations, Department of Natural Resources
Mr. David R. Schad, Director, Division of Fish and Wildlife
Mr. Edward K. Boggess, Deputy Director, Division of Fish and Wildlife



Game and Fish Fund Hunting and Fishing Revenue/Expenditure Allocations

November 15, 2008



The purpose of this report is to comply with Minnesota Session Law 2007, Chapter 57, Article 1, Section 4, Subdivision 7.

Cost

Required by M.S. 3.19 the costs of producing this report are estimated to be \$6,970.00. Total costs were based on estimated staff time and incidental costs.

Scope of Report

The Game and Fish Fund Budget Oversight Committee (BOC) established by M.S. 97A.055, Subd. 4b, identified an “imbalance” between the relative revenues and expenditures for hunting and fishing related activities in the Game and Fish Fund and recommended that steps be taken to address that imbalance. The legislature has agreed that this issue should be further examined and recommendations developed. The purpose of this report is to comply with that direction, as provided in 2007 session law:

Minnesota Session Law 2007, Chapter 57, Article 1, Section 4, Subdivision 7 requires: “By November 15, 2008, the commissioner, in consultation with the Budgetary Oversight Committee, established in Minnesota Statutes, section 97A.055, subdivision 4b, paragraph (c), shall report to the house of representatives and senate policy and finance committees and divisions with jurisdiction over natural resources on game and fish fund receipt and expenditure imbalances between hunting-related and fishing-related activities. The report shall include, but is not limited to: (1) a table showing the allocation of game and fish fund receipts and expenditures related to fishing and hunting activities for fiscal years 1989 to 2007 and projected receipts and expenditures for fiscal years 2008 and 2009; (2) recommendations for short-term changes to correct any imbalances; and (3) recommendations for long-term changes that will ensure that fishing license revenue is adequate to cover fishing-related expenditures and hunting license revenue is adequate to cover hunting-related expenditures.”

In compiling this report, the DNR has consulted with the Game and Fish Fund Budget Oversight Committee.

Game and Fish Fund

The game and fish fund consists primarily of license revenues from fishing and hunting licenses and Minnesota's share of federal excise taxes on fishing and hunting equipment and related items. The Game and Fish Fund is an important source of funding for natural resource conservation. Of \$504 million appropriated to DNR programs in the FY2008-2009 biennium, \$182 million (36%) was Game and Fish Funds. In accordance with MN Stat. 97A.057, subd. 2, the game and fish fund is a dedicated account that must be used to support fish and wildlife management programs. The fund was created and has been managed as one fund. Other than for dedicated stamp or other dedicated accounts, there are no statutory requirements to appropriate fishing related revenue to fisheries activities or hunting related revenues to wildlife activities.

This report addresses only the general operating portion of the Game and Fish Fund, not the stamp, surcharge, and other dedicated dollars, which are treated as dedicated sub-accounts in the overall Game and Fish Fund.

Background

Because the Game and Fish Fund has always been managed as a single fund, the issue of whether revenues from fishing were proportional to fisheries expenditures and revenues from hunting were proportional to wildlife expenditures did not come up until the mid 1990s, when fisheries interests became concerned that wildlife was spending in excess of what hunting revenues were generating. This became an issue during the deer feeding legislative debates of 1996 and 1997 during back to back severe winters. The legislature ended up appropriating Game and Fish funds for feeding as a "loan" to be paid back to the fund by receipts from deer license sales to avoid fisheries fees subsidizing deer feeding. Up to that time, no formal analysis had been done of the relative revenue and expenditure ratios. The Game and Fish Fund Citizens Budget Oversight Committee (BOC) which had been created in 1994 (Laws 1994, Chapter 561, Sec. 3) became interested in this issue shortly after that time. A preliminary analysis of expenditures and revenues was conducted by the Division of Fish and Wildlife in 1999 for expenditures only by the Section of Fisheries and the Section of Wildlife. It did not consider expenditures that supported hunting and fishing activities elsewhere in the department. No definitive conclusions came of the 1999 preliminary analyses because there was no agreement on how to account for dedicated and general fund expenditures, and the analysis was not comprehensive for fisheries and wildlife related expenditures across the department (e.g. for things like enforcement, engineering, acquisition and other costs that might have been weighted heavier to wildlife or fisheries). A few years later, while reviewing FY2004 Game and Fish Fund expenditures, the BOC renewed its request that the DNR provide details to document how much anglers were generating in revenue versus how much the DNR was spending on fishing related activities, and likewise for hunting related revenues versus wildlife related expenditures.

Methodology

The legislative language mandating this report requires analysis from 1989 to 2009. However, the preliminary analysis that was done in 1999 on expenditures on hunting vs. fishing includes only Division of Fish and Wildlife expenditures. Therefore, it is not possible to do an analysis for 1989 through 1999 that is directly comparable to the analyses done from 2000 on.

The preliminary analysis covering the period from FY88-89 to FY98-99 looked at numerous scenarios involving relative expenditures by the Wildlife Section or the Fisheries Section with or without dedicated stamp funds, with or without general funds. For the scenario involving only base expenditures of game and fish funds (not including dedicated accounts or general funds) that analysis found: 1) Fisheries Section expenditures averaged 48 percent of fishing related revenue in FY1988 and gradually increased to 63 percent by FY98-99; 2) Wildlife Section expenditures averaged 51 percent of hunting related revenue in FY 1988 and gradually decreased to 45 percent by FY98-99. (See Table 1 and Chart 1.)

Table 1:

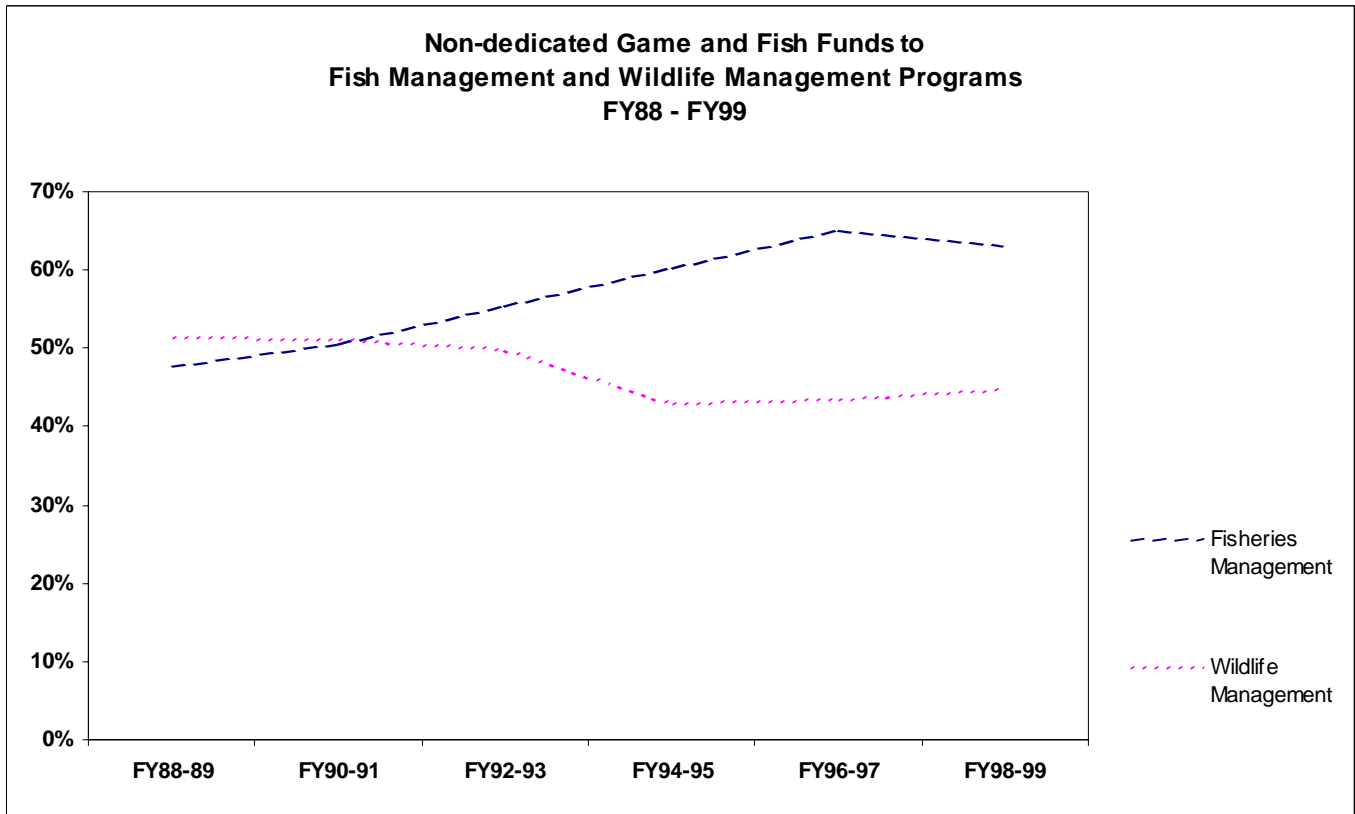
Game and Fish Funds (non-dedicated) to Fish and Wildlife Management Programs						
Biennium	Fisheries Management			Wildlife Management		
	Revenue	Expenditures	Percent	Revenue	Expenditures	Percent
FY88-89*	\$ 39,068,705	\$ 18,631,017	48%	\$ 28,889,835	\$ 14,856,415	51%
FY90-91**	\$ 44,439,144	\$ 22,468,365	51%	\$ 33,772,208	\$ 17,226,980	51%
FY92-93	\$ 45,495,298	\$ 25,228,089	55%	\$ 40,169,059	\$ 20,053,252	50%
FY94-95	\$ 46,548,982	\$ 28,009,653	60%	\$ 42,657,928	\$ 18,342,197	43%
FY96-97	\$ 49,648,659	\$ 32,383,930	65%	\$ 45,649,145	\$ 19,787,153	43%
FY98-99***	\$ 61,660,321	\$ 38,861,253	63%	\$ 45,104,904	\$ 20,138,228	45%

* A fee increase took effect in March of 1988 (fourth quarter of FY88). Samples of increases: Individual angling from \$9 to \$12; Deer from \$15 to \$20; and Small Game from \$11 to \$13.

** A fee increase took effect in March of 1991 (fourth quarter of FY91). Samples of increases: Individual angling from \$12 to \$13; Deer from \$20 to \$22; and Small Game from \$13 to \$14.

*** A fishing fee increase took effect in March 1998 (fourth quarter of FY98). Individual angling from \$13 to \$15.

Chart 1:



Following the request of the BOC to re-examine this issue in June 2005, they developed an “Ad Hoc” subcommittee to work with DNR to do a more complete analysis. For that analysis the methodology for examining expenditures from 2000 to the present looked at all departmental expenditures of Game and Fish Funds that support fisheries and wildlife, including enforcement, ecological resources, lands,

engineering, administrative support, etc. It did not include expenditures from dedicated (e.g., stamp) accounts within the Game and Fish Fund, General Fund, Heritage Enhancement Funds, or bonding funds. Assumptions were made that expenditures for fisheries activities have no benefit to hunters and that wildlife activity expenditures have no benefit for anglers. In actuality, there is not such a clear distinction of benefits.

The current methodology includes information based on cost accounting using the practice of expenditure cost-coding. The design and detail levels of these systems have changed to meet the needs of stakeholders and management. As these changes occur, the ability to compare over time becomes more difficult. Because of this, if the methodology were applied backwards from 2000 to 1989, it would cause inaccurate projections. If the ratios were simply applied back to 1989, it would assume current program priorities remained the same over time, which would not be accurate. Therefore, it is not possible to apply current methodology prior to 2000.

Due to fluctuations in spending within a biennium, the analysis is formatted to give biennial revenue and expenditure figures.

Analysis

The analysis addresses the question of “What percent of fishing-related revenue goes towards fisheries related activities and what percent of hunting related revenue goes towards wildlife related activities.” With DNR assistance, the BOC completed an analysis in June 2005 that includes revenues and expenditures from the Game and Fish Fund from FY00-01 to FY06-07. In that analysis, the BOC agreed upon a number of assumptions. These assumptions have been adopted by DNR and applied to subsequent calculations in the DNR’s annual Game and Fish Fund Report so that the relative revenues and expenditures for fisheries and wildlife activities can be tracked. (See Appendix A: *Relative Distributions of Game and Fish Fund Between Fishing and Hunting, February 2006.*)

Since 2005, the analysis has been updated for every fund statement that changes actual and projected revenues and expenditures. Fund statements are issued for November Forecasts, February Forecasts, End of Legislative Session, and Fiscal Year Close.

This analysis has found that a variety of factors affect the revenue/expenditure ratios for both hunting and angling and those ratios fluctuate over time. Factors include:

- 1) success or failure and source of funding for various agency or legislative initiatives;
- 2) supplemental budget initiatives for salary inflation, which are disproportionate to fisheries due to the higher percentage of salaries in the fisheries expenditures compared to hunting; and
- 3) revenues from fishing and hunting licenses and federal excise taxes and apportionments to states can change unexpectedly.

Findings

Analysis has shown that since FY2000-01, DNR expenditures for fishing related activities have been a higher proportion of fishing related revenues than the respective expenditures and revenues for hunting. The degree of these differences has changed over time (Table 2). Based on appropriations for the FY2008-09 biennium, fisheries expenditures are projected to be 104.1% of fishing related revenues, while wildlife expenditures are estimated at 94.5% of hunting related revenues. Assuming current levels of appropriations and forecasted revenues, including the hunting related loss of revenues from deer license simplification and fishing related loss of revenue from the new conservation angling license, the gap between the fisheries and the wildlife ratios widens to 109.1% fisheries related expenditures: fishing revenues and 97.4% wildlife related expenditures: hunting revenues in FY2010-11 biennium.

Table 2:

**Expenditures, Revenues and Allocation Related to Hunting and Fishing
as of End of 2008 Legislative Session**

EXPENDITURES															
	Actual FY00-01		Actual FY02-03		Actual FY04-05		Actual FY06-07		Projected FY08-09						
Hunting	\$	44,166,981	38.2%	\$	50,861,450	40.7%	\$	53,052,349	40.2%	\$	56,033,599	40.3%	\$	64,378,277	43.0%
Fishing	\$	71,503,560	61.8%	\$	74,236,066	59.3%	\$	78,876,396	59.8%	\$	83,171,008	59.7%	\$	85,511,948	57.0%

** ELS Statutory expenditures taken out due to unknown fishing hunting allocations.
*** All dedicated accounts and Heritage Enhancement dollars not included.

*** License Center moved to Division of Fish and Wildlife in FY05. Fund statement reports License Center expenditures in Operations Support FY00-04.
**** Departmental Operations Support funding change in FY06. See Game and Fish Fund Report for detailed program breakdown.

REVENUES															
	Actual FY00-01		Actual FY02-03		Actual FY04-05		Actual FY06-07		Projected FY08-09						
Hunting	\$	48,441,961	39.0%	\$	55,285,091	43.6%	\$	61,637,027	45.4%	\$	64,074,944	46.6%	\$	68,119,140	45.3%
Fishing	\$	75,802,699	61.0%	\$	71,485,883	56.4%	\$	74,260,646	54.6%	\$	73,401,703	53.4%	\$	82,132,905	54.7%

Assumptions
Total Biennial receipts reported on this report equals *Total Receipts (GFF Statement) + Police State Aid Transfer - ELS Statutory Account Revenue*
Sports Licenses-Split according to % of hunting and fishing to total
Commercial Licenses-Actual Deposits to Fish & Wildlife-Estimate is split 64/36 (Average of past 5 years)
Leases-Split 5% to Fisheries/ 95% to Wildlife

Fines Split 60% to Fisheries/40% to Wildlife
Miscellaneous Split 50% to Fisheries/50% to Wildlife
Investment Split According to Overall Pre Investment Revenue Split

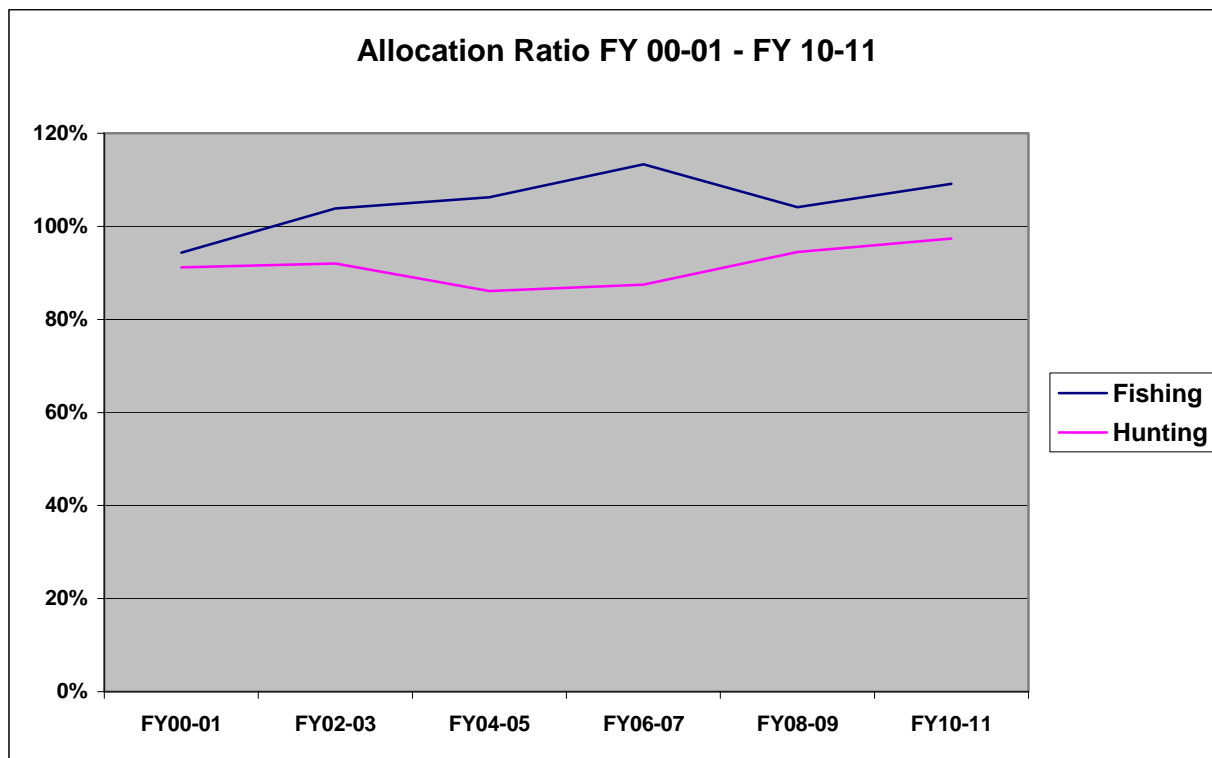
PERCENTAGE										
	Actual FY00-01		Actual FY02-03		Actual FY04-05		Actual FY06-07		Projected FY08-09	
Hunting		91.2%		92.0%		86.1%		87.5%		94.5%
Fishing		94.3%		103.8%		106.2%		113.3%		104.1%

Legislative Report Table Summary.xls
August 2008

Revenues from Fees	FY2000	FY2001*	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Actual	FY2008 Planning Est.	FY2009 Planning Est.
	Fishing Licenses	25,782,952	20,362,316	20,441,363	21,847,545	21,631,102	21,683,535	20,957,815	21,266,405	21,778,000
Hunting Licenses	14,750,308	14,268,812	17,384,832	17,711,678	19,723,172	20,069,659	20,306,129	21,279,743	21,200,000	19,098,000

* A fee increase took effect in March of 2001 (fourth quarter of FY01). Samples of increases: Individual angling from \$15 to \$17; Deer from \$22 to \$25; and Small Game from \$14 to \$16.

Chart 2:



Impacting Factors

The proportional allocation of revenues to expenditures relative to the wildlife and fisheries activities is a function of the two simple ratios below:

$$\frac{\text{Wildlife Related Expenditures}}{\text{Hunting Related Revenues}} \quad \text{and} \quad \frac{\text{Fisheries Related Expenditures}}{\text{Fishing Related Revenues}}$$

Because the ratios are affected by changes in any of the four factors, there are four basic options to bring them into balance: 1) increase wildlife related expenditures; 2) decrease hunting related revenues; 3) decrease fisheries related expenditures; or 4) increase fishing related revenues. Some of the options would exacerbate the projected declining balance in the game and fish fund, others would have programmatic or participation impacts. Currently the Game and Fish Fund balance is projected to be \$14.5 million at the end of FY2009. Based on projected revenues and an assumption of maintaining current expenditure levels, early estimates show a balance of \$2.7 million by the end of FY2013. Projected expenditures currently exceed projected revenues.

Examples are provided below to illustrate the range of impacts if any one of the four options was applied unilaterally to completely close the gap between the wildlife and the fisheries ratios. Obviously, the four options also could also be applied in any combination, so these scenarios are presented simply to illustrate the range of the potential impacts. All scenarios below are based on an assumption of current expenditure levels and projected revenues.

1) Increase wildlife related expenditures.

If increasing wildlife related expenditures was the only option used, the wildlife ratio could be raised to the same level as the fisheries ratio (109.1% for FY2010-2011) by increasing wildlife related expenditures by \$7.7 million (a 12% increase) for the FY2010-2011 biennium, or \$3.85 million per year. This would result the Game and Fish Fund being exhausted during FY12 and create an FY2013 deficit balance of <\$12.7 million>.

2) Decrease hunting related revenues.

If decreasing hunting related revenues was the only option used to raise the wildlife ratio to the same level as the fisheries ratio, then hunting revenues would need to be decreased by \$7.1 million (a 11% decrease) over the FY10-11 biennium, or \$3.55 million per year. This would result the Game and Fish Fund being exhausted during FY12 and create an FY2013 deficit balance of <\$11.5 million>.

3) Decrease fisheries related expenditures.

If decreasing fisheries related expenditures was the only option used to equalize the ratio between the two activities, the fisheries ratio could be lowered to equal the hunting ratio (97.4% for FY2010-2011), by reducing fisheries expenditures by \$9.2 million over the FY2010-11 biennium, or \$4.6 million per year. This would represent a 11% percent reduction in fisheries related expenditures across the DNR, and would reduce effort on a variety of programs, potentially including aquatic habitat restoration, scientific data collection, research on fish and other aquatic life populations, survey on angler satisfaction, fish culture and stocking, enforcement of regulations, pathology testing, and environmental review.

4) Increase fishing related revenues.

If increasing fishing related revenues was the only option used to lower the fisheries ratio to equal the wildlife ratio, fishing revenue would have to increase by \$ 9.5 million over the FY2010-11 biennium, or \$ 4.75 million per year (a 6% increase). With 1.14 million fishing licenses purchased annually this would mean that fishing licenses across the board would need to be increased by an average of \$4.17 each. Past experience indicates that increased license fees result in loss of licensed anglers, at least in the short term, which has not been considered.

Funding Portfolios (Combination of 1) and 3))

The above analysis considers only the game and fish fund. Looking beyond the game and fish fund, there are other options to change the mix of funding sources provided to fisheries and wildlife and to adjust those to address the game and fish fund imbalance (for example, change the mix of general fund and bonding dollars provided to each activity and adjust game and fish dollars accordingly).

The Game and Fish Fund Budget Oversight Committee has reviewed this situation. Their recommendations related to option 4), plus expanding general fund support for fisheries related activities. Specifically, they recommended the following:

“To correct this imbalance the BOC does not want to see reductions in programming or staffing currently funded by the GFF. To this end; the BOC has several recommendations;

- *First, the DNR must recommend fishing license increases – especially non-resident license fees where Minnesota generally lags behind fees of neighboring states. Revenues from these fee increases must go towards the imbalance and not used as offsets towards fee decreases or fee elimination, such as portable fish house license elimination.*

- *Next, given the fact that fishing-related recreation has a greater statewide economic impact than hunting, the BOC believes that the DNR is justified in seeking additional General Fund monies from the legislature to support the work of the Fisheries Section. Doing so would also help address the potential for future imbalances of GFF spending between fish and wildlife programs*
- *Finally, the BOC recommends that the DNR must implement long range budgetary strategies that would prevent such occurrences from happening again.”*

(Citizen Oversight Report on Game & Fish Fund Expenditures FY 2006)

(See Appendix B.)

Since June of 2005, a number of changes have gone into effect that directly impacts the allocation. Some were DNR initiatives, and others were beyond the control of the DNR.

- 1) During DNR’s FY08-09 biennial budget process, natural resource funding proposals were evaluated based on current Game and Fish Fund allocations. This resulted in a number of initiatives moving forward with a recommended Game and Fish funding source, while others were forwarded with other funding sources.
- 2) DNR analyzed the General Fund allocated to the fish management and wildlife management programs and re-allocated general fund dollars between the activities proportional to a federal survey on angler and hunter related expenditures in Minnesota, which was used as an index to the contributions of each activity to the state’s general fund. This resulted in a less Game and Fish funds on the fishing related spending and more for the hunting related spending, bringing both allocations closer to 100%.
- 3) The Sportfish and Wildlife Restoration federal aid projections increased (Sportfish from \$10.7 million in FY06 to \$14.9 million in FY08; Wildlife Restoration from \$7.2 million in FY06 to \$9.2 million in FY09), affecting fishing and hunting related revenues. This increased both hunting and fishing related revenue.
- 4) The elimination by the legislature of portable fish house licenses (estimated loss of \$770,000 in revenue) and the associated increase in non-resident angling fees (\$680,000) reduced overall fishing revenue. The addition of a conservation-angling license effective in 2009 is also projected to reduce fishing revenue by \$1.8 million per year. Deer license simplification changes proposed by the DNR and adopted by the legislature are projected to reduce hunting revenue by \$2.1 million per year.

Recommendations

Short-term Strategies

The DNR recommends the following short-term strategies for consideration by policy makers:

- a) Continue to use the Game and Fish Fund allocation ratios as a factor when determining funding priorities with existing funding. In the re-alignment of programs (reducing, increasing, or even maintaining), the funds used can be re-evaluated based on fund integrity and this allocation.
- b) Take advantage of new funding opportunities to close the gap when developing proposed funding initiatives. An analysis, or statement should be prepared for any proposed new funding initiative from the Game and Fish Fund.
- c) A fishing fee increase and license structure modification. The last major fishing fee increase went into effect in 2001. This would help equalize the imbalance, secure the balance of the Game and Fish Fund, and support ongoing efforts to protect and enhance game and fish populations and habitats. Traditionally, only a portion of additional

revenues have been appropriated for spending in the year the fee becomes effective. The remainder is used in future years to offset increased costs of programs. This management approach prevents the need for frequent fee increases.

- d) Forgive the debt to the Game and Fish fund from the Wild Cervid Health Account under MN Stat 97A.075, subdivision 1, paragraph (d). The payback of the \$750,000 deer feeding appropriation was required because in 1996 there was an impression among some stakeholders and legislators that the wildlife management activity was using funds from fishing license receipts. The Legislature established a deer feeding account in 1996 by directing that fifty cents of every deer license be deposited in a special feeding account. The intent of the 1996 deer feeding appropriation was that the money would be “borrowed” from the game and fish operating fund and repaid from the newly dedicated deer feeding account once a sufficient threshold amount had accumulated in the account, so that fishing license revenues would not be subsidizing deer feeding. The threshold balance to trigger the repayment (initially \$1.5 million but increased to \$2.5 million with the advent of CWD) has never occurred. That payback was mandated at a time that the revenue:expenditure ratio imbalance was believed to be the opposite of what it is today and before any formal analysis had been done. With the advent of CWD (and later bovine TB) the authorized uses of the account were broadened beyond feeding to include CWD and cervid health management.

Long-term Strategies

The DNR recommends the following long-term strategies for consideration by policy makers:

- a) Monitoring and analysis of ratios should be continued.
- b) The allocations should be discussed annually by the BOC in their review of game and fish fund expenditures and by the Legislature in budget and funding discussions.
- c) Program funding portfolios should be evaluated with the current Game and Fish Fund allocation as a factor.
- d) An adequate balance must be maintained in the Game and Fish Fund. Any future fee adjustments should take the allocation into consideration.
- e) Additional funding sources should be considered to broaden funding portfolios.

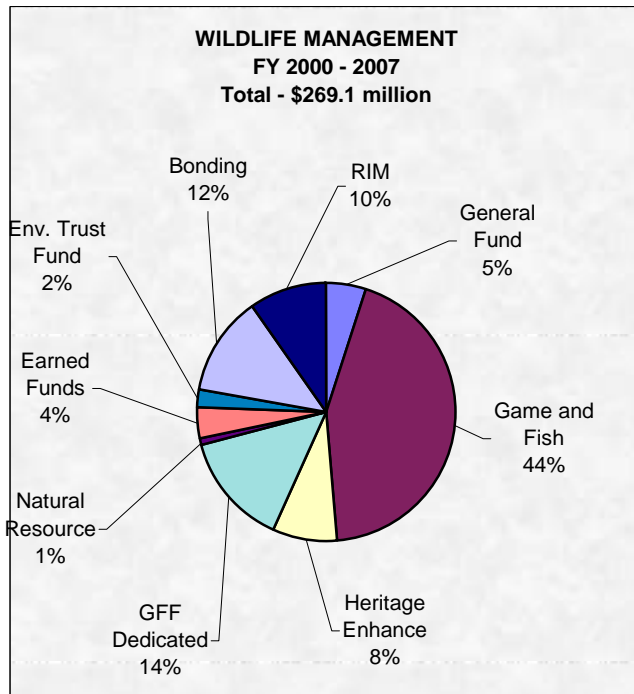
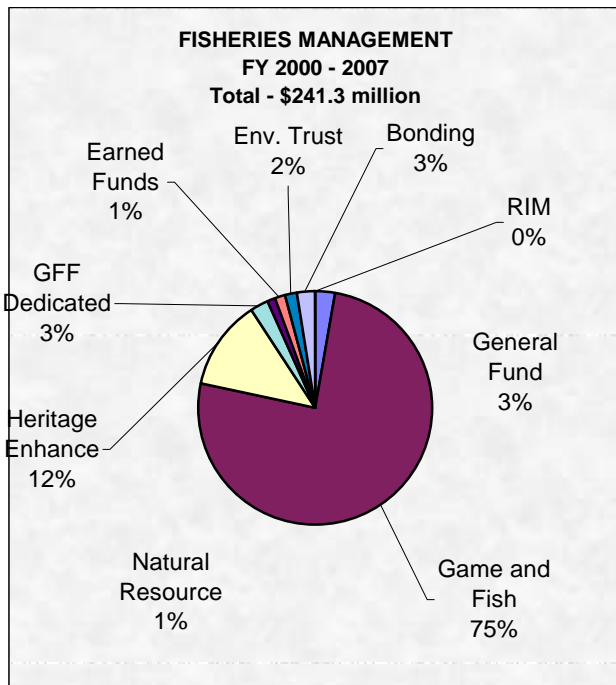
Discussion

The state must maintain the ability to propose funding for the most pressing natural resource issues at hand. Flexibility is needed to address priorities and emerging issues.

Some inequity in these revenue:expenditure ratios will be inevitable. Even though the DNR has been successful in projecting revenues, changes in participation and participation spending (federal excise tax on equipment, which provides the Sportfish and Wildlife Restoration federal aid) are variable and state and legislative priorities can change rapidly. The key is to be aware of the issues, monitor the changes, and to achieve a balance over time that is acceptable to those whose fees contribute to these accounts. The DNR believes that continuing to manage the Game and Fish fund as one account as a depository for angling and hunting revenues is advisable because in reality the work done for these two purposes is not entirely separate, but is highly complementary. This is also the standard practice in other states.

Looking beyond the game and fish fund, the DNR’s budget consists of a portfolio of different funding sources. There are options to change this mix of funding sources to address the game and fish fund imbalance (for example, change the mix of general fund and bonding dollars provided to each activity and adjust game and fish dollars accordingly). The charts below depict the Fisheries Management Program

and the Wildlife Management Program total funding portfolios from FY2000 to FY2007. Total program funding for the Fisheries Management program over this time period was \$244.9 million, which is comparable to \$257.1 million for the Wildlife Management program.



	Fiscal Year	General Fund	Game and Fish	Heritage Enhancement	Game and Fish Dedicated Accounts	Natural Resource Funds	Earned Funds (S.R., Fed, Gift)	Environmental Trust Fund	Bonding	RIM Funds
FISHERIES MANAGEMENT	2000	\$ 1,454,382	\$ 18,837,659	\$ -	\$ 549,138	\$ 174,173	\$ 484,951	\$ 176,719	\$ -	\$ -
	2001	\$ 2,643,829	\$ 21,874,591	\$ 4,481,731	\$ 695,360	\$ 193,917	\$ 61,259	\$ 73,718	\$ -	\$ -
	2002	\$ 185,514	\$ 20,471,358	\$ 2,944,824	\$ 467,280	\$ 202,103	\$ 516,369	\$ 604,770	\$ -	\$ 12,178
	2003	\$ 177,966	\$ 23,110,626	\$ 6,239,041	\$ 854,284	\$ 207,866	\$ 110,252	\$ 1,396,837	\$ -	\$ -
	2004	\$ 592,268	\$ 22,584,553	\$ 3,534,457	\$ 938,593	\$ 349,066	\$ 245,963	\$ 948,458	\$ -	\$ -
	2005	\$ 595,626	\$ 23,906,468	\$ 4,325,104	\$ 1,113,196	\$ 272,292	\$ 203,504	\$ 301,904	\$ 1,524,128	\$ -
	2006	\$ 484,341	\$ 24,777,242	\$ 3,983,464	\$ 955,482	\$ 560,051	\$ 385,503	\$ 482,727	\$ 327,683	\$ -
	2007	\$ 554,854	\$ 26,947,758	\$ 4,337,536	\$ 954,519	\$ 590,922	\$ 836,060	\$ 171,000	\$ -	\$ 13,065
	Unspent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,019	\$ 4,181,664	\$ -
	Total	\$ 6,688,781	\$ 182,510,255	\$ 29,846,157	\$ 6,527,851	\$ 2,550,391	\$ 2,843,859	\$ 4,305,151	\$ 6,033,475	\$ 25,243

WILDLIFE MANAGEMENT	2000	\$ 2,222,430	\$ 9,441,895	\$ -	\$ 3,352,666	\$ 641,114	\$ 1,908,842	\$ 1,230,496	\$ 2,353,840	\$ 1,627,176
	2001	\$ 2,227,027	\$ 14,632,051	\$ 4,355,838	\$ 4,325,845	\$ 1,074,121	\$ 795,024	\$ 974,113	\$ -	\$ 1,179,095
	2002	\$ 1,183,907	\$ 13,258,851	\$ 1,917,531	\$ 3,363,683	\$ 28,814	\$ 1,083,606	\$ 211,961	\$ 980,584	\$ 776,746
	2003	\$ 1,135,413	\$ 15,266,517	\$ 3,353,657	\$ 4,970,264	\$ 15,073	\$ 771,719	\$ 255,291	\$ 1,596,509	\$ 350,638
	2004	\$ 1,425,008	\$ 13,665,933	\$ 1,551,345	\$ 4,182,803	\$ 20,527	\$ 964,323	\$ 931,252	\$ -	\$ 1,490,460
	2005	\$ 1,616,809	\$ 16,891,128	\$ 3,258,625	\$ 5,663,705	\$ 6,336	\$ 841,922	\$ 512,448	\$ 11,803,596	\$ 4,994,015

2006	\$ 1,717,240	\$ 15,931,427	\$ 2,294,619	\$ 5,561,385	\$ 94,017	\$ 1,592,400	\$ 726,874	\$ 1,370,873	\$ 2,575,385
2007	\$ 2,062,972	\$ 17,976,562	\$ 4,175,381	\$ 6,902,417	\$ 580,130	\$ 2,503,210	\$ 631,718	\$ -	\$ 3,743,413
Unspent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 374,762	\$ 15,387,388	\$ 9,196,100
Total	\$ 13,590,805	\$ 117,064,364	\$ 20,906,997	\$ 38,322,768	\$ 2,460,132	\$ 10,461,047	\$ 5,848,916	\$ 33,492,790	\$ 25,933,027

CONCLUSION

The game and fish fund Budget Oversight Committee has identified the imbalance between fisheries related expenditures and fishing revenues and wildlife related expenditures and hunting revenues as an issue that should be addressed. The DNR has agreed. However, in that context there is also broad recognition that some of the distinctions drawn between fisheries and wildlife activities are not hard lines and that a lot of the work done for “wildlife” or “fisheries” has multiple benefits for fish and wildlife (as well as for water quality and other values) and that those are not well reflected in this type of analysis.

Despite widespread awareness of this imbalance, including the 2007 legislative mandate for this report, recent state policy and funding decisions have actually lead to a widening of the “imbalance,” not a narrowing. Over the long term, policy and finance decision makers will need to decide the importance of this balance relative to the priority of programs, as well as the appropriate mix of revenues and expenditures from the game and fish fund relative to the role of other funding sources.

Appendix A:

**Relative Distributions of Game and Fish Fund
Between Fishing and Hunting**

**Game and Fish Fund Budgetary Oversight Committee
Ad Hoc Report**

February 2006

Relative Distributions of Game and Fish Fund
Between Fishing and Hunting

Game and Fish Fund Budgetary Oversight Committee
Ad Hoc Report

February 2006

Ad Hoc Committee:

Rick Horton, Budget Operations Committee Chair

Dennis Neilson, Wildlife Operations Committee Chair

John Schneider, Fisheries Operations Committee Chair

Overview

Minnesota's hunting and angling communities view revenues of the Game and Fish Fund (GFF) as user fees generated by their license purchases and the excise taxes collected on their equipment purchases. Both hunters and anglers assume that the dollars generated by their purchases are spent on activities that enhance and manage their sport, and the habitat and species they pursue [i.e. hunting revenues are spent on hunting related activities, and fishing dollars are spent on fisheries related activities]. Expenditures out of the GFF are expected to be in proportion to revenues received.

Funding of Department of Natural Resources (DNR) fish and wildlife management activities is very complicated. It relies on appropriations from several funds including: the Game and Fish Fund, General Fund, Legislative Commission on Minnesota's Resources (LCMR) grants, Heritage Enhancement allocations, the bonding process, and other miscellaneous funds. The legislature, when it makes its appropriations, must blend these sources into a dollar value that approaches angling and hunting management needs for its biennial budget appropriation, bonding appropriations, and LCMR funding cycles.

Minnesota law has no requirement to separately account for (1) fishing revenues and expenditures and (2) hunting revenues and expenditures. Regardless of legal requirements, this Committee believes that the DNR has an implicit ethical obligation to its stakeholders to spend fishing revenues on fishing and hunting revenues on hunting.

Background and Analysis

The Budget Oversight Committee (BOC) is responsible for reviewing annual reports of revenues and expenditures and making recommendations to the legislature and the Department of Natural Resources Commissioner for improvements in management and use of money in the GFF.

The Wildlife Operations Committee (a subcommittee of the BOC) requested an analysis of GFF operating revenues and operating expenditures split between fishing and hunting in January 2005. This analysis was prepared by the DNR in June 2005 with all of the operating revenues and expenditures of the GFF allocated to either hunting or fishing.

Revenue allocation formulas were relatively unimportant because over 90% of annual operating revenues come from federal payments or license sales. Both federal payments and license sales can easily be split into fishing and hunting components. Allocations of other operating revenues were made using various measurement methods.

Expense allocation formulas were much more important since only about 50% of GFF operating expenditures are made by the Fish and Wildlife Sections. Allocations of the GFF operating expenditures by the License Section and divisions other than Fish and

Wildlife (Land and Minerals, Trails and Waterways, Ecological Services, Enforcement, Operations Support and Indirect) were done by the DNR on a division-by-division basis by estimating benefits received.

An ad hoc subcommittee of the BOC (consisting of the BOC chair, the WOC chair and the Fisheries Operations Committee chair) received this DNR analysis in the summer of 2005, reviewed assumptions, formulas and computations and discussed it with the Fisheries, Wildlife and Administrative Services section managers. The subcommittee and the DNR section managers agreed that the analysis was reasonable. A summary of the DNR's report is provided in Appendix B of the FY05 Game and Fish Fund Report.

Exhibit I attached summarizes operating revenues and expenditures for the four biennia from July 1, 2000 thru June 30, 2007 (using budget amounts for FY 2005 and later).

Exhibit I clearly demonstrates that, for this eight year period, GFF fishing operating expenditures exceeded fishing operating revenues by \$11,829,000 and GFF operating hunting revenues exceeded operating hunting expenditures by \$17,681,000.

Questions and Answers

1. Was the situation reversed (fish underspending and hunting overspending) in prior periods?

Ron Payer (DNR Fish Management section manager) and John Schneider (BOC Fisheries Operations chair) recall that prior years had fishing supporting hunting but no one has any analysis stating fiscal years and amounts involved. Both Ron and John recall that the methodology used in past years was different than that used in 2005.

2. Were Game and Fish Fund inequities offset by inequities in Heritage Enhancement account allocations?

No. Heritage Enhancement allocations to the Fisheries and Wildlife sections vary greatly in dollar amount from year to year. The relationship of total fish and wildlife Heritage Enhancement allocations, however, from FY 2001 thru FY 2005 (59%/41%) is comparable to the relationship of total revenues over the 8 year analysis period (57%/43%).

3. Were appropriations from other funding sources [General Fund, LCMR etc.] equally allocated to hunting and angling during the eight years?

No. Appropriations from these funds show large changes from year to year. For example, the General Fund's contribution to fisheries management activities has ranged from a high of \$2,256,000 in FY01 to low of \$25,000 in FY03. LCMR appropriations also are quite different between hunting and angling related efforts.

4. Are Game and Fish Fund inequities offset by inequities in bonding allocations?

Bonding is by its nature very different from annual operating appropriations; no attempt was made by the Committee to analyze bonding allocations.

5. The analysis includes only Game and Fish Fund operating accounts and excludes dedicated accounts; what would be the effect of including dedicated accounts?

By definition dedicated accounts can only be spent for their stated purpose and cannot be spent below a zero fund balance. Including dedicated accounts would add nothing to the analysis of dollar amounts of over/under spending.

6. Would additional fishing dedicated accounts make a difference?

This question comes up because Hunting has many more dedicated accounts than Fishing; the answer is that this would make no difference to the analysis of over/under spending.

Conclusion

For the eight year period beginning with FY 2000 and continuing thru FY 2007 (using budget amounts for FY 2005 and later):

- The fund balance of the Game and Fish Fund increased.
- The fund balance increase resulted from a fishing deficit of \$11,829,000 being exceeded by hunting surplus of \$17,681,000.

In short, fishing overspending for the eight years was covered by hunting underspending.

We are especially concerned that the DNR has not routinely compared fishing and hunting revenues in relationship to expenditures as separate entities. No documentation of prior measurements [pre FY 2000] can be located. This especially becomes a concern because of the recent regrouping of the separate Fisheries Division and Wildlife Division back into the joined Division of Fish and Wildlife.

We request that the DNR immediately disclose this information to the legislature and the public. All parties need to work together to achieve full disclosure, commit to changes in tracking hunting and fishing activities as separate entities, and to make the legislative and funding changes necessary to correct this inequity. We also ask that that heretofore this analysis be conducted routinely and reported in the Game and Fish Fund Report.

Attachment—Exhibit 1

Appendix B:

**CITIZEN OVERSIGHT REPORT ON
GAME AND FISH FUND EXPENDITURES
FISCAL YEAR 2006**

June 2007

(Excerpt – Pages *i* - 4 of 46 pages)

Game & 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 2006

June 2007

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This report was approved by the Game & Fish Fund Budgetary Oversight Committee (BOC) as of July 2, 2007.

BOC MEMBERS:

Brad Cobb
Budgetary Oversight Committee Chair

Terry Peltier
Fisheries Operations Subcommittee Chair

Dave Bennett
Trout & Salmon Stamp Subcommittee Chair

Dennis Neilson / Terry Johnson
Wildlife Operations Subcommittee Co-Chair

Scott Nagel
Big Game Subcommittee Chair

Kyle Thompson
Pheasant Stamp Subcommittee Chair

Tom Glines
Turkey Stamp Subcommittee Chair

Ryan Heiniger
Waterfowl Stamp Subcommittee Chair

John Hunt
Ecological Services Subcommittee Chair

Fred Boethin
Enforcement, Support Services, and Administration Subcommittee Chair

Game & Fish Fund Budgetary Oversight Committee

—Authorized under Minnesota Statutes Section 97A.055 Subd. 4b—

Brad Cobb, BOC Chair

Subcommittee Chairs:

Terry Peltier—Fisheries Operations Subcommittee
Dave Bennett—Trout & Salmon Stamp Subcommittee
John Hunt—Ecological Services Subcommittee
Scott Nagel—Big Game Subcommittee

Fred Boethin—Enforcement & Operations Support Subcommittee
Dennis Neilson/Terry Johnson—Wildlife Operations Subcommittee
Kyle Thompson—Pheasant Stamp Subcommittee
Tom Glines—Turkey Stamp Subcommittee
Ryan Heiniger—Waterfowl Stamp Subcommittee

June 30, 2007

Commissioner Mark Holsten
Minnesota Department of Natural Resources

Sen. Satveer Chaudhary
Chair, Senate Environment & Natural Resources Committee

Sen. Ellen Anderson
Chair, Senate Environment, Energy, & Natural Resources Budget Division

Rep. Kent Eken
Chair, House Environment & Natural Resources Committee

Rep. David Dill
Chair, House Environment & Natural Resources Committee – Game, Fish, and Forestry Division

Rep. Jean Wagenius
Chair, House Environment & Natural Resources Finance Division

Ladies and Gentlemen:

Enclosed you will find the Game and Fish Fund Budgetary Oversight Committee (BOC) report for Fiscal Year 2006. As chair of the BOC I want to express my sincere appreciation to all of the various volunteer subcommittee members who have contributed countless hours of time to this final report. The BOC would also like to thank the Department of Natural Resources (DNR) staff for their cooperation throughout this reporting cycle and attendance at all of our monthly meetings. The BOC would like to specifically express our appreciation to BOC facilitator Beth Carlson for her guidance and support this past year.

In general, the BOC found that expenditures complied with the overall requirements and intent of the Game and Fish Fund (GFF) and state statutes. We encourage all of you to review each subcommittee report and their findings and/or recommendations.

Besides the business of GFF budgetary reviews, the BOC also has the responsibility to express opinions or recommendations on issues affecting the GFF. Throughout the course of our reporting cycle we discussed a wide range of topics and proposed legislation that may have direct or indirect relationships to the GFF. This year we devoted a tremendous amount of time to several key areas:

Citizen Oversight Report on Game & Fish Fund Expenditures FY 2006

1

fund imbalances between wildlife and fisheries, a proposed biennial reporting cycle change, and other subcommittee recommendations.

Funding imbalance

As was reported in last years FY 2005 BOC report, an Ad Hoc committee report shows that for at least the last eight years “spending did not keep pace with income from new hunting opportunities, while fisheries spending greatly exceeded income from fishermen.” The 2005 BOC report also recommended that the DNR consider developing tactics and strategies for the FY 2008-09 budget to take steps to balance the differences. The current BOC has agreed that current imbalance situation is a revenue issue rather than an expenditure issue. To date, the FY2005 BOC requests were not fully implemented by the DNR nor were adequate measures taken in the Governor’s FY08-09 budget to address this situation. The BOC feels that it is the responsibility of the DNR to develop strategies or tactics to fully address this situation.

To correct this imbalance the BOC does not want to see reductions in programming or staffing currently funded by the GFF. To this end; **the BOC has several recommendations;**

- First, the DNR must recommend fishing license increases – especially non-resident license fees where Minnesota generally lags behind fees of neighboring states. Revenues from these fee increases must go towards the imbalance and not used as offsets towards fee decreases or fee elimination, such as portable fish house license elimination.
- Next, given the fact that fishing-related recreation has a greater statewide economic impact than hunting, the BOC believes that the DNR is justified in seeking additional General Fund monies from the legislature to support the work of the Fisheries Section. Doing so would also help address the potential for future imbalances of GFF spending between fish and wildlife programs
- Finally, the BOC recommends that the DNR must implement long range budgetary strategies that would prevent such occurrences from happening again.

We see the legislature’s new requirement for a report from the DNR next year as a good first step.

Biennial reporting cycle proposal

Last year the BOC was introduced to a proposal that would require legislative approval to change the BOC reporting cycle from annual reports to biennial reports which was tabled for further discussion this year. While this proposal has advantages and disadvantages it was clear again this year that the nine member BOC was split on trying to approve this proposal. The BOC has not come to any agreement on this proposal. Further discussions on this topic maybe appropriate in the next few years.

Other subcommittee recommendations

Many of the GFF subcommittees want to briefly express some key recommendation in this letter. Again, we ask all of you to read each of the subcommittee reports, findings, and recommendations.

The Fisheries Operations Subcommittee is concerned that there may be a large number of non-profit organizations asking for grants and/or funding from Game and Fish monies. We would like to see the DNR establish criteria for such requests. Also, we want to applaud the DNR in their efforts being put forth in the area of recruitment and retention.

The Wildlife Operations Subcommittee sees a need for a Legislative Auditor Program Evaluation of DNR funding and accounting. Also, due to the Minnesota Lottery advertisements, we strongly believe the DNR is being hindered in its ability to raise funds for conservation efforts that are needed today. The Minnesota public is wrongly led to believe that the DNR, or the environment, is getting more than 50% of the net proceeds from the lottery when in fact the General Fund gets the majority of the net proceeds.

The Waterfowl Stamp Subcommittee is proud to announce that **2007 represents the 30th Anniversary of the Minnesota Waterfowl Stamp.** This was the states first stamp program and in the last three decades, has raised millions of dollars for habitat conservation and research to improve the future of waterfowl. In cooperation with the DNR, the Waterfowl Stamp Committee is planning to recognize this anniversary with a project dedication in conjunction with the youth waterfowl opener in September 2007. Fittingly, the artwork for the 30th Anniversary Stamp is a pair of lesser scaup – an icon in Minnesota – flying over a classic northern Minnesota lake.

The Big Game committee has several ongoing/new issues that need to be addressed. First, considering the current research which suggests a link between disease outbreak and transfer of captive cervids, the committee believes the DNR, through deer hunter dollars, should not be required to solely finance the solution to this problem without having regulatory authority. The committee also believes other sources of funding should be looked into to address wild cervid health. Second, in addition to WMA maintenance and improved access, the committee sees an ongoing need to increase WMA acquisition considering that land prices continue to rise & large tracts of land are rapidly becoming fragmented. Third, hunter recruitment, education and retention needs to be continually increased and improved. With regards to hunter retention, the committee recommends the DNR increase opportunities for hunter access through hunter education and land owner incentives. Finally, the committee sees an urgent need for additional studies to better understand the etiology of the significant increase in moose mortality in northern Minnesota.

Trout & Salmon Stamp Subcommittee suggests that the DNR develop an on-going mechanism through which impending water, energy, and climate issues affecting the well-being of the streams, rivers, and lakes are identified and where solutions can be considered. The DNR needs to become a leader in these areas, well ahead of the major changes we can expect in protection of our natural world.

The Wild Turkey Stamp provides an important source of funding to address short and long term goals of wild turkey hunting in Minnesota. Expanding the wild turkey range through the Trap and Transplant Program has been effective in increasing wild turkey numbers and hunter opportunity. Most of the wild turkey range in Minnesota has been explored and stocked; however additional habitat management on public and private lands will be necessary to improve recreational opportunities for wild turkey hunters. Three areas targeted for the future are: 1) improving wild turkey habitat throughout the wild turkey range; 2) increasing public acres in the wild turkey range, and, 3) improving access to existing landlocked public areas by purchasing "walk in" access easements. The DNR, along with its conservation partners, can accomplish these goals to improve the overall wild turkey hunting experience in Minnesota.

Ecological Services Subcommittee continues to advocate for additional funding to combat the spread of both aquatic and terrestrial invasive species and is calling on the DNR to play a central role in the evaluation of the potential impacts of increased biofuels production on fish and wildlife habitat in the state.

In conclusion, over the course of this past reporting cycle the BOC has addressed some tough issues with the DNR and we found the agency to be very cooperative in helping us get a better understanding of these various issues and working with us to find solutions. As chair of the BOC I want to personally thank the men and women from all nine subcommittees who have donated their time and talents to the GFF oversight process.

Finally, Aldo Leopold wrote in the conclusion of his journal called "A Sand County Almanac" and his outlook on the land ethic concept he says in part: "Perhaps the most serious obstacle impeding the evolution of a land ethic is the fact that our educational and economic system is headed away from, rather than toward, an intense consciousness of the land." We have made great strides in our society since Leopold wrote this journal over 50 years ago but we still see examples everyday how our

general lack of education towards natural resource conservation needs to improve and we need to start making conservation decisions on good science (ethics) rather than economic limitations.

Sincerely,

Bradley H. Cobb
Chair, Game and Fish Fund Budgetary Oversight Committee