

**DNR FY 2010-11 Budget
2010 Supplement**

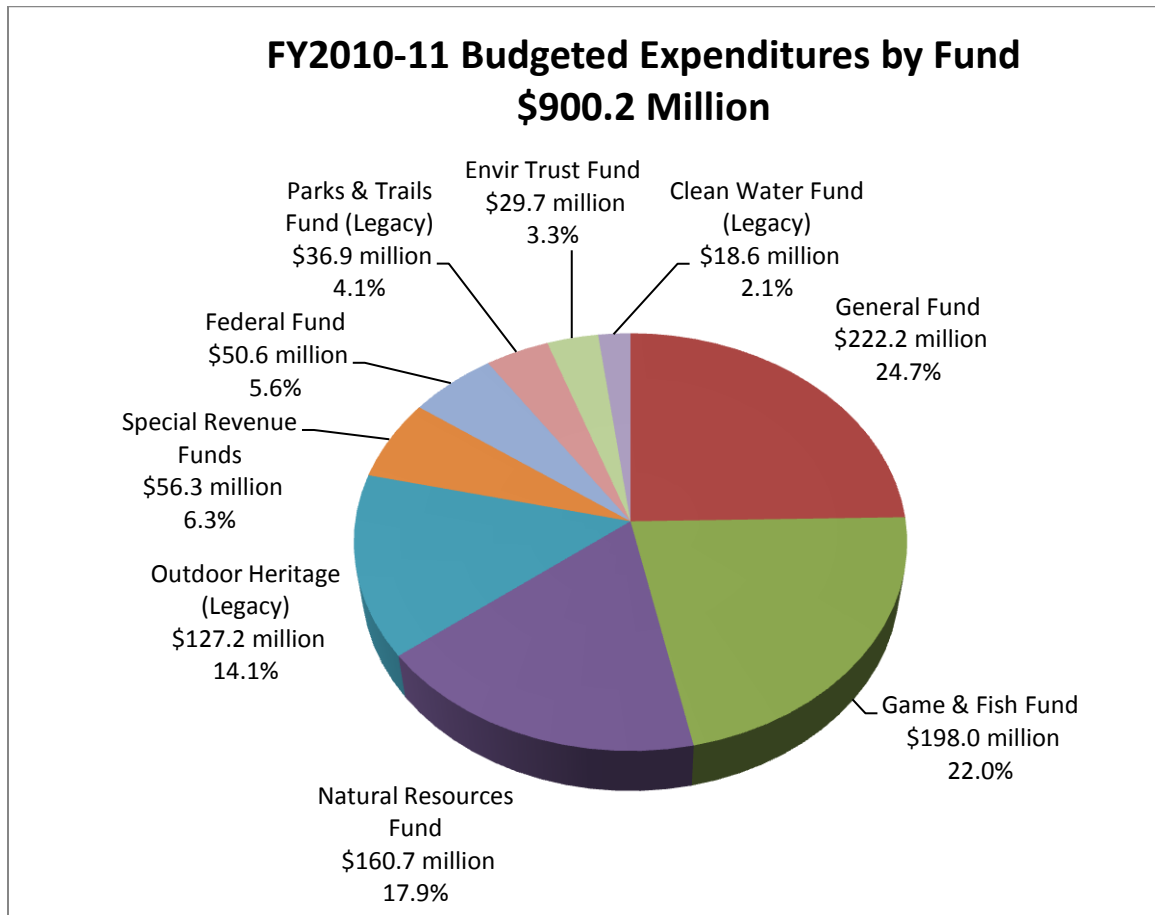
Where Funding Comes From

Funding for state programs is contained in the Biennial (two-year) Budget that is passed by the State Legislature during the odd-year session. During the even-year session the Legislature makes adjustments to the budget by passing a Supplemental Budget. The state fiscal year is from July 1 to June 30.

This is the first biennium that funding was authorized as a result of passage of the constitutional amendment for clean water, wildlife, cultural heritage, and natural areas. This funding is referred to as the Legacy Funds.

In the Biennial Budget the Department of Natural Resources (DNR) was authorized a budget of \$839 million for the fiscal years (FY) 2010-11. In the Supplemental Budget, there were budget reductions of \$9.7 million taken and \$70.9 million of new funding, mostly for pass-through grants in the Legacy Funds, resulting in the DNR budget of \$900.2 million.

The sources of funding for DNR expenditures come from nine fund categories illustrated in the graph below.



General Fund

The General Fund is the state government's main operating fund. By law the fund must remain balanced over a two-year period; state government cannot spend more than it deposits to the fund.

Revenues

Overall state government receipts are estimated at \$29.7 billion for FY 2010-11, with 94% of receipts coming from state taxes. The five biggest tax categories are: income tax, sales tax, corporate tax, statewide property tax, and motor vehicle sales tax.

During the biennium the DNR will deposit an estimated \$16.5 million to the General Fund. Examples of receipts include water use fees; sales tax collected from park permits, merchandise sold at state parks, nursery seedlings, and sale of maps and publications; sale of timber for harvest on state land; fire fighting fees; and leasing of state lands. The receipts deposited by the DNR are intermingled with all other tax and non-tax receipts in the General Fund.

Expenditures

Under current law about 86% of the money in the state General Fund will be spent in the next two fiscal years on the following: K through 12 education, health and human services, higher education, and aid to local governments. Less than 14% of the General Fund money will be spent on all other state agency operations and services. The DNR General Fund budget is less than $\frac{3}{4}$ of 1% of the state wide General Fund budget.

Major expenditures within the DNR from the General Fund are directly related to the protection and managements of Minnesota's wetlands, lakes, rivers, and ground water resources. They support the development and management of state parks and recreation areas, forest management and fire management, 1854 Indian treaty payments, and payments-in-lieu of taxes to counties to offset their expenses incurred in support of natural resources lands.

Game and Fish Fund

The Game and Fish Fund is made up of the following accounts:

- Game and Fish Operations
- Game and Fish dedicated accounts (Deer and Bear Management, Deer Habitat Improvement, Waterfowl Habitat Improvement, Trout and Salmon Management, Pheasant Habitat Improvement, Wildlife Acquisition Surcharge, Wild Turkey Management, Walleye Stamp)
- Heritage Enhancement (Lottery in-lieu of sales tax)
- Lifetime License Trust Fund

Revenues

The DNR will deposit an estimated \$167.9 million to the Game and Fish Fund for FY 2010-11. Receipts come from hunting and fishing licenses; stamps and permits; wildlife surcharges;

license application and issuing fees; timber sales on wildlife conservation lands; and interest earnings. Also included in this total are \$55.0 million of receipts from the federal sport fish and wildlife restoration programs.

In addition, \$23.5 million for the two years will be deposited to the Heritage Enhancement Account in the Game and Fish Fund from in-lieu-of-sales tax on lottery tickets.

Expenditures

Expenditures from the Game and Fish Operations account are to manage, monitor and protect fish and wildlife resources; enforce game and fish laws; provide access to lakes, rivers and streams; and deliver administrative support across those programs.

Authorized expenditures from the Game and Fish dedicated accounts are for programs and purposes directly related to how revenues are generated. For example, funds in the Trout and Salmon Management account are spent on species research, habitat improvement and trout and salmon stocking.

Expenditures from the Heritage Enhancement Account are to improve, enhance or protect fish and wildlife resources. The budget plan for this account includes spending by Forestry, Fisheries, Wildlife, Ecological Resources, and Enforcement.

Natural Resources Fund

The Natural Resources Fund is made up of 20 accounts:

- Recreational Vehicles Accounts (watercraft, snowmobiles, all-terrain vehicles, off-highway motorcycles, and off-road vehicles)
- Land Acquisition
- Non-game Wildlife
- Lottery in-lieu-of-sales tax supported accounts (State Parks and Trails, Metro Regional Parks, Local Trail Grants, and Zoo Grants)
- State Parks Account
- Off-Road Vehicle Damage
- State Land and Water Conservation (LAWCON)
- Cross Country Ski
- Forestry Management Investment
- Natural Resources Dedicated
- Minerals Management
- Invasive Species
- Mining Administration

Revenues

The DNR will deposit an estimated \$102.7 million to the Natural Resources Fund in FY 2010-11. Receipts come from the registration of recreational vehicles (watercraft, snowmobiles, all-terrain vehicles, and off-road vehicles), sale of timber for harvest on state land, iron ore rents and

royalties, camping fees, park permits, sale of parks merchandise, snowmobile trail permits, watercraft surcharge, non-game donations (chickadee check-off on the state tax form), license issuing fees, and interest income. This includes estimated federal receipts of \$1.1 million for land and water conservation (LAWCON).

The Natural Resources Fund will also receive as estimated \$24 million for the biennium from the in-lieu-of-sales tax on lottery tickets.

In addition, an estimated \$38.8 million in gas tax will be transferred to the Watercraft, Snowmobile, All-Terrain Vehicle (ATV), Off-Highway Motorcycle (OHM), and Off-Road Vehicle (ORV) accounts. This is the tax on gasoline used to operate boats, snowmobiles, ATVs, and off-road vehicles.

Expenditures

Authorized expenditures from the Natural Resources Fund are for programs and purposes directly related to how revenues are generated. The tax receipts from the sale of lottery tickets are spent on state parks and trails, grants to the metro regional park system, local trails, and grants to state zoos.

Federal Funds

Revenues

The DNR will deposit an estimated \$50.6 million for FY 2010-11. Federal receipts can be the result of research and special project agreements, grants for boat and water safety, trail development, fire prevention and protection, preservation and protection of Lake Superior coastal resources, and expense reimbursements following a FEMA-declared natural disaster.

Federal funds can vary significantly between biennia due to federal disaster aid from unforeseen catastrophic events or the discontinuation of federal programs.

The \$50.6 million does not include \$55.0 million in federal receipts associated with the federal sport fish and wildlife restoration programs, which are deposited to the Game and Fish Fund, nor \$1.1 million in federal receipts associated with Land and Water Conservation (LAWCON), which are deposited to the Natural Resources Fund.

Expenditures

Authorized expenditure of federal funds is for purposes that are authorized in federal and state law and meet the DNR's goals and strategies documented in the DNR Strategic Conservation Agenda and other strategic planning documents.

Special Revenue Funds

The Special Revenue Fund is made up of the following sources:

- Special Revenue (dedicated receipts)
- Remediation

- Reinvest in Minnesota (RIM)
- Gift
- Permanent School
- Permanent University

Revenues

The DNR will deposit an estimated \$119.4 million in FY 2010-11. Receipts are generated from sources that include iron ore rents and royalties; timber sales on state-owned land; fees for firefighting; sales of nursery seedlings; cooperative agreements; merchandise and consumables sold in state parks; food, lodging and souvenirs at the Douglas Lodge complex in Itasca State Park; and private restricted donations.

The DNR, acting in a fiduciary capacity, manages forests and mineral resources on state lands. Proceeds from the extraction and harvest of resources generate significant revenue to the funds associated with the land classification. For example the Permanent School Trust Fund, which helps fund K-12 education, benefits from timber and mineral revenues generated on school trust lands.

Expenditures

Authorized spending from the Special Revenue accounts is for purposes directly related to how revenues are generated. For example, the DNR is planning to spend

- The amount received under the terms of numerous cooperative agreements for purposes outlined in these contracts.
- State Park resources managements and interpretation projects are funded from the cash surplus in the working capital account generated from the Division's merchandise program.
- The amounts from the Douglas Lodge account for operations at the Douglas Lodge complex at Itasca State Park.
- Donations received under the Reinvest in Minnesota (RIM) program to buy land for habitat and the protection of plant and animal species.
- The receipts from nursery seedlings sales to continue operating the forest nursery.

Environmental Trust Fund

Revenue

Lottery proceeds have been used to build up the principal in the Environmental Trust Fund. The Minnesota Constitution provides up to 5.5% of the market value of the trust fund for environmental projects "for the public purpose of protection, conservation, preservation, and enhancement of the statewide air, water, land, fish, wildlife, and other natural resources."

Expenditures

The DNR's spending from the Environmental Trust Fund is for a proposed set of projects recommended by the Legislative-Citizen Commission on Minnesota Resources (LCCMR). Some of these LCCMR-recommended projects have been suggested by the DNR and are closely related to agency's programs and operations. Other local units of government and non-profit

organizations originally proposed other projects. In those cases the DNR will set up and oversee the contract with the outside organization, and reimburse approved project expenses as incurred under the contract terms. The appropriations are made annually.

Legacy Funds

The Legacy Funds are a result of passage of the constitutional amendment for Clean Water, Wildlife, Cultural Heritage and Natural Areas in November, 2008. The DNR has received funding from the following funds:

- Outdoor Heritage Fund
- Clean Water Fund
- Parks and Trails Fund

Revenue

The constitutional amendment increases the state sales tax rate by 3/8 of 1%. Receipts from the increase are dedicated for specific uses and are deposited as follows: 33% in the Outdoor Heritage Fund, 33% in the Clean Water Fund, 14.25% in the Parks and Trails Fund, and 19.75% in the Cultural Heritage Fund. The money dedicated by the amendment is appropriated by law.

Expenditures

The projects funded from the Outdoor Heritage fund come from recommendations made by the Lessard-Sams Outdoor Heritage Council and approved by the legislature. Projects have been proposed by the DNR, local units of government, and non-profit organizations. The appropriations for most projects are made annually; the DNR has been authorized spending of \$127.2 million of which \$36 million is for forest easements and \$58.9 million is for pass-through grants.

The DNR is authorized spending of \$18.525 million from the Clean Water Fund for water quality assessment, drinking water protection, identification of impaired waters, high-resolution digital elevation data, Mississippi River corridor critical area, and the county geologic atlas program.

The DNR is authorized spending of \$36.901 million from the Parks and Trails of which \$8.7 million is for grants for local and regional parks and trails.