

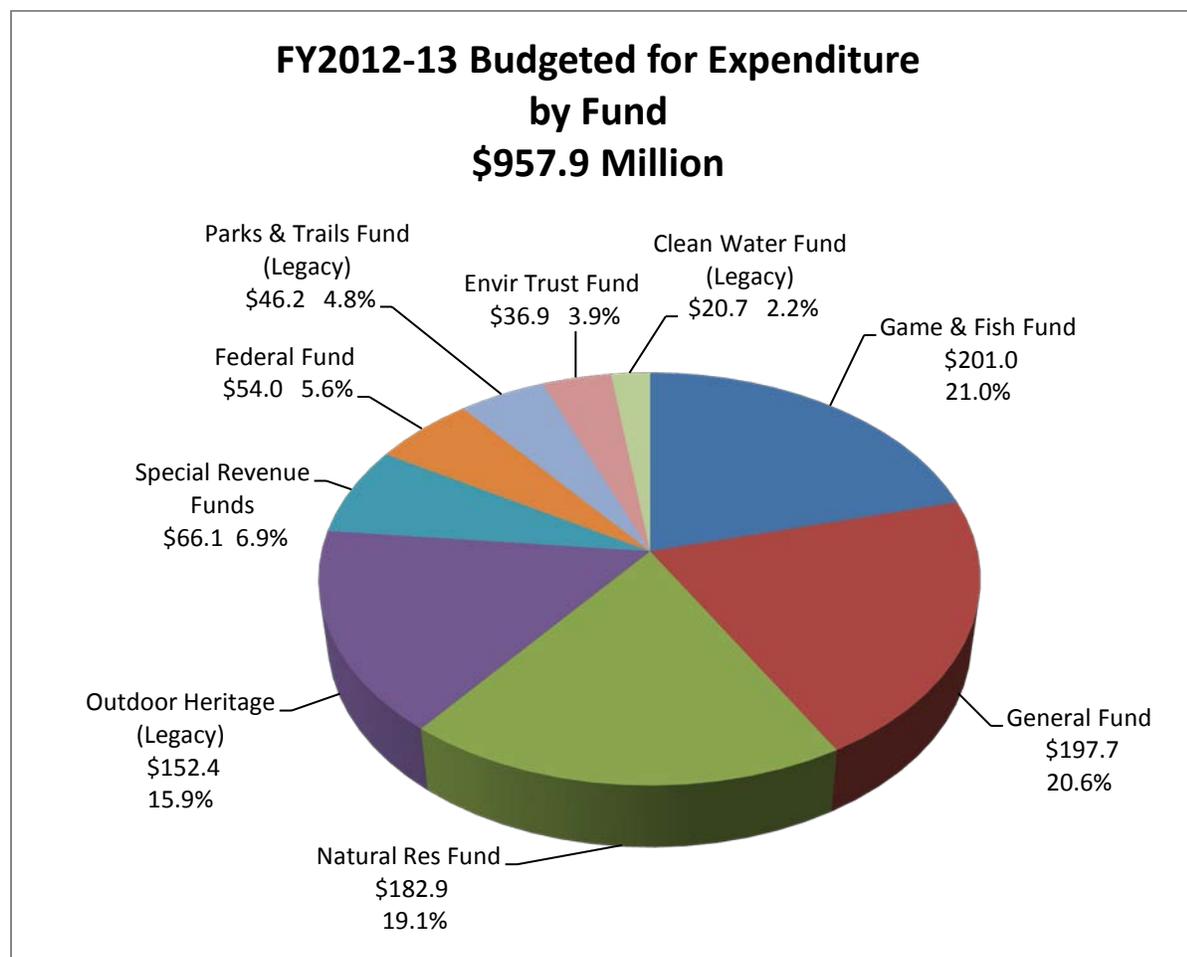
**DNR FY 2012-13 Budget
2012 Legislative Session**

Where Funding Comes From

Funding for state agencies is contained in the Biennial (two-year) Budget that is presented by the Governor and passed into law by the State Legislature during the odd-year legislative session. The Legislature may make adjustments to the budget by passing a Supplemental Budget during the even-year session. The state fiscal year is from July 1 to June 30.

This is the second 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 2011 the Legislature authorized the Department of Natural Resources (DNR) a biennial budget of \$875.4 million for the fiscal years (FY) 2012 and 2013. In 2012, they authorized \$83.5 million from the Outdoor Heritage Fund (Legacy) and a Supplemental Budget net reduction of \$1.0 million resulting in a budget of \$957.9 million in nine funds as shown below.



General Fund

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

Revenues

Overall state government receipts are estimated at \$33.7 billion for the FY 2012-13 biennium, with 93% of the receipts coming from state taxes. The five largest 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 \$7.2 million to the General Fund. Examples of receipts include sales tax collected from park permits and license center sales; leasing, easements, and certain timber sales on state lands; and fire fighting fees. A change this biennium is that the deposit of an estimated \$10 million from water use fees has been moved to the Natural Resources Fund. 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 89% 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. About 11% of the General Fund money will be spent on all other state agency operations and services. The DNR General Fund budget is less than 1/2 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
- Peace Officer Training

Revenues

The DNR will deposit an estimated \$165.6 million to the Game and Fish Fund for the biennium. 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. Included in this total are \$50 million of receipts from the federal sport fish and wildlife restoration programs.

In addition to the above receipts, the Game and Fish Fund will receive an estimated \$25.2 million in the Heritage Enhancement Account from the in-lieu-of-sales tax on lottery tickets, and an estimated \$1.7 million in police state aid from a tax surcharge on auto insurance policies used to pay the employer's contribution for law enforcement (conservation officers) pensions.

The total estimated revenue for the biennium is \$192.5 million.

Expenditures

Expenditures from the Game and Fish Operations account are used 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 used for programs and purposes directly related to how the 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 used to improve, enhance or protect fish and wildlife resources. The budget plan for this account includes spending by Fish and Wildlife, Ecological and Water Resources, Forestry, and Enforcement.

Natural Resources Fund

The Natural Resources Fund is made up of the following 21 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
- 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
- Water Management

Revenues

The DNR will deposit an estimated \$129.1 million to the Natural Resources Fund during the biennium. Receipts come from a large variety of sources including registration of recreational vehicles (watercraft, snowmobiles, all-terrain vehicles, off-highway motorcycles and off-road vehicles), sale of timber for harvest on state land, iron ore rents and royalties, camping fees, state park permits, sale of parks merchandise, snowmobile trail permits, watercraft surcharge, invasive species surcharge on non-resident fishing licenses, nongame wildlife donations (chickadee check-off on the state income tax form), license issuing fees, water use fees, and interest income. This includes federal receipts of \$1.5 million for land and water conservation (LAWCON).

In addition to the above receipts, the Natural Resources Fund will receive an estimated \$25.2 million from the in-lieu-of-sales tax on lottery tickets; an estimated \$42.3 million in un-refunded gas tax from the gasoline used to operate boats, snowmobiles, all-terrain vehicles, off-highway motorcycles and off-road vehicles; and an estimated \$0.5 million in police state aid from a tax surcharge on auto insurance policies used to pay the employer's contribution for law enforcement (conservation officers) pensions.

The total estimated revenue in the Natural Resources Fund for the biennium is \$197.1 million.

Expenditures

Expenditures from the Natural Resources Fund are used for programs and purposes directly related to how revenues are generated. The tax receipts from the sale of lottery tickets are spent in the DNR on state parks and trails, local trail grants, and grants to the zoos in Duluth and St. Paul. There are also direct appropriations from the Natural Resources Fund to the Metropolitan Council for the metro regional park system and to the Zoological Board for the State zoo.

Federal Fund

Revenues

The DNR will deposit an estimated \$53.7 million for the biennium in the Federal Fund. 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 amount above does not include \$50.0 million in federal receipts associated with the federal sport fish and wildlife restoration programs, which are deposited to the Game and Fish Fund, nor \$1.5 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

Special Revenue Funds 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 \$141.3 million in the biennium to the various Special Revenue Funds. Receipts are generated from sources that include iron ore rents and royalties, timber sales on certain 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, RIM license plate donations, and private restricted gift 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 used 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

Revenues

The Environmental Trust Fund consists of the principal built up over time from the State Lottery proceeds. 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 Legislative-Citizen Commission on Minnesota Resources (LCCMR) recommends projects to be funded by the Environmental Trust Fund. Some of these recommended projects were suggested by the DNR and are closely related to agency's programs and operations. Other recommended projects were suggested by local units of government and non-profit organizations, where the funding is made to the DNR for pass-through grants. 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.

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

Revenues

The constitutional amendment increases the state sales tax rate by $\frac{3}{8}$ 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 are made annually. The DNR has been authorized spending in FY 2012 of \$68.9 million of which \$41.8 million is for pass-through grant agreements.

The DNR is authorized spending of \$20.7 million for the biennium from the Clean Water Fund for water quality assessment, drinking water protection, identification of impaired waters, high-resolution digital elevation data, stream flow monitoring, and web based electronic permitting.

The DNR is authorized spending of \$46.2 million for the biennium from the Parks and Trails Fund of which \$14.8 million is for grants for local and regional parks and trails.