



# Department of Natural Resources Biennial Budget 2016-2017

This document provides a high-level summary of our 2016-2017 biennial budget highlighting key information about where our funding comes from and how we use it.

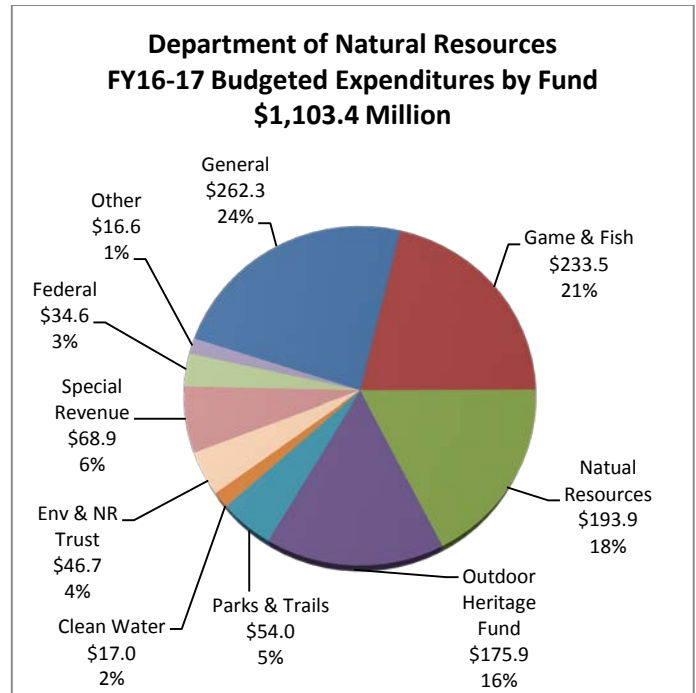
The state of Minnesota budgets on a two-year (biennial) funding cycle. The legislature and governor establish our “base” budget in the odd-numbered year and amend it in the even-numbered year. Our 2016-17 biennial budget as amended in 2016 is \$1,103.4 million and is used to support our mission:

*To work with citizens to conserve and manage natural resources, provide outdoor recreation opportunities and provide for commercial uses of resources that creates a sustainable quality of life.*

Similar to most state agencies, we organize our budget by our seven divisions and then across many funds.

Our divisions include: 1) Lands and Minerals, 2) Ecological and Water Resources, 3) Forestry, 4) Parks and Trails, 5) Fish and Wildlife, 6) Enforcement, and 7) Operation Services. Parks and Trails has the largest budget (\$250.9 million) and accounts for 23% of our total spending. Enforcement is our smallest division and constitutes less than 10% of our budget.

We manage our budget across 50 funds, and most of our fiscal activity occurs in four primary funds: General Fund (24%), Game and Fish Fund (21%), Natural Resources Fund (18%), and Outdoor Heritage Fund (16%). Together, these account for 79% of our spending.



## **Where do we get our funding?**

### The General Fund

The General Fund is the state’s main operating fund. General Fund dollars play an important role in our budget, because they are our most flexible funding source. They allow us to budget for our general operating needs as well as respond quickly to emergencies and urgent, unexpected needs.

Our 2016-17 General Fund budget is \$262.3 million, which is less than 1% of the total general fund spending for the state. Sixty percent of these dollars or \$162 million are direct appropriations for managing of the state parks and trails, minimizing the spread of invasive species, managing the state’s forests and lands, protecting our water, providing outdoor recreation opportunities, and enforcing natural resource

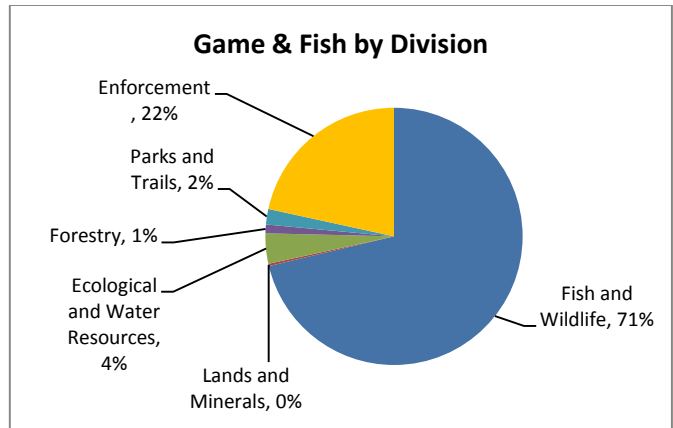
laws. Direct appropriations are set by law and state agencies cannot spend more than the amount appropriated.

The remaining 40% are open appropriations that are available up to the amount needed to meet a statutory requirement.

We have three open appropriations in the General Fund. Two of them are for making payments to tribes and counties based on treaties and statute on behalf of the state. The payments made to counties are known as payment-in-lieu of taxes (PILT) and are approximately \$31 million dollars each year. Since the state does not pay property taxes on land it owns, PILT payments help compensate counties for this lost tax revenue. We also make payments to tribes on behalf of state in accordance with the 1854 treaty. This is roughly \$8.7 million annually. Lastly, we have authority to access General Fund dollars (as needed), so that we can respond quickly to forest fires. For FY 2016-17, this is estimated at \$17 million per year.

### The Game and Fish Fund

The Game and Fish Fund (GFF) supports management, monitoring, and protection of fish and wildlife resources as well as the enforcement of game and fish laws. Our Fish and Wildlife division accounts for roughly 71% of our GFF expenditures, over half of which is spent on compensation.



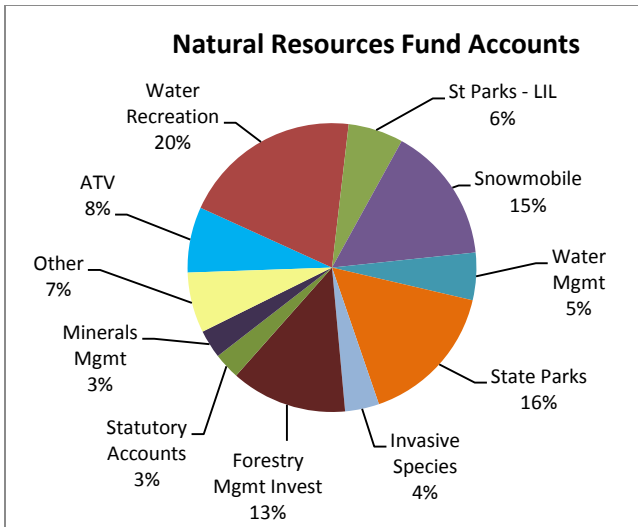
The fund is sourced by a variety of revenues that directly relate to the programs they support. Sales of hunting and fishing licenses contributed 54% of GFF total revenue in FY15. We also receive federal funds through the federal sport fish and wildlife federal grants. We estimate these funds at \$64 million this biennium.

A citizen’s oversight group plays an important role in ensuring these dollars are managed in the citizens’ best interests.

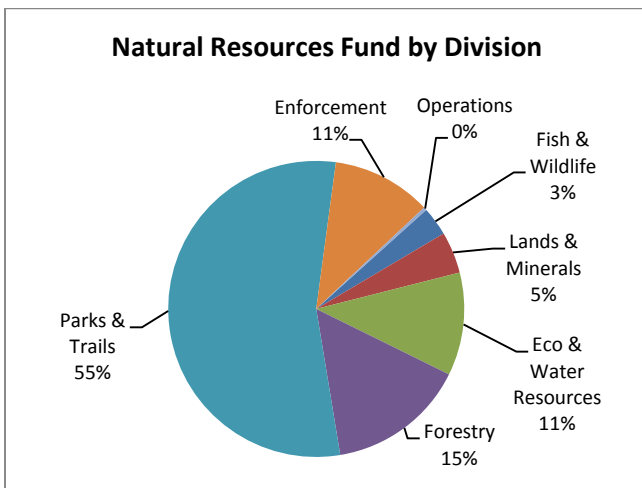
For more information about the Game and Fish Fund, please see our annual “Game and Fish Report” available on our website: [Game and Fish Report](http://www.dnr.state.mn.us/gamefishoversight/reports.html) (<http://www.dnr.state.mn.us/gamefishoversight/reports.html>)

### The Natural Resources Fund

The Natural Resources Fund (NR) supports the development and maintenance of Minnesota’s natural resources and the enforcement of natural resource laws. NR expenditures make up 18% of our total budget. This fund consists of 20 accounts that are all dedicated for a specific purpose ranging from water based recreation to forest management to state parks and trails. The two largest accounts are water recreation and snowmobile, which make up 20% and 18% of the Natural Resources Fund budget respectively.



Our Parks and Trails division accounts for 55% of our NR fund spending, over half of which is spent on compensation.



The two largest revenue sources to the fund include the 1) state’s gasoline tax and 2) license and registration fees—together these contributed 38% of the fund’s resources in FY15. For more information about the Natural Resources Fund, please see our annual “Natural Resources Report” available on our website: [Natural Resources Fund Report](http://www.dnr.state.mn.us/aboutdnr/budget/index.html) (<http://www.dnr.state.mn.us/aboutdnr/budget/index.html>).

An important aspect of our budget is that a significant portion of our spending authority in

the GFF and NR funds comes from appropriations that are sourced by the revenues our programs generate. When revenues exceed appropriations, we cannot spend above our appropriation even though there may be unmet needs. Conversely, when appropriations exceed revenues, we only spend what we bring in to ensure that our funds stay healthy. This can limit our ability to provide services at the “right” level and can make managing our budget difficult at times.

### Constitutionally-Dedicated Funding

In 1988 and 2008, Minnesota voters approved constitutional amendments that established dedicated funding for environmental, recreational, and cultural purposes. We receive funding from four of the five constitutionally-dedicated funds. These include the Environment and Natural Resources Trust Fund (ENRTF) and the following Legacy funds: Outdoor Heritage Fund, Clean Water Fund, and Parks and Trails Fund. These funding sources are unique because 1) the projects funded are one-time in nature rather than ongoing operations and 2) Outdoor Heritage Fund and ENRTF are appropriated annually rather than biennially. Additionally, the dedicated sales tax supporting the Legacy funds expires after 25 years.

In FY16-17 these funds accounted for 27% of our annual budget.

### *Environment and Natural Resources Trust Fund*

We use these dollars to conserve and enhance Minnesota’s natural resources including air, water, fish, and wildlife. The Legislative-Citizen Commission on the Minnesota Resources (LCCMR) committee governs this fund and makes funding recommendations to the legislature. We received \$46.8 million from this fund in FY16-17, which accounts for 4% of our overall biennial budget.

### *Outdoor Heritage Fund*

We use these dollars to restore, protect and enhance land and water for fish, game and wildlife. The Lessard-Sams Outdoor Heritage Council (LSOHC) governs this fund and makes recommendations to the legislature. We received \$175.9 million from this fund in FY16-17, which accounts for 71% of our Legacy funds and 16% of our overall FY16-17 budget. Of this, we will manage \$128 million of pass through grants for local governments and external organizations.

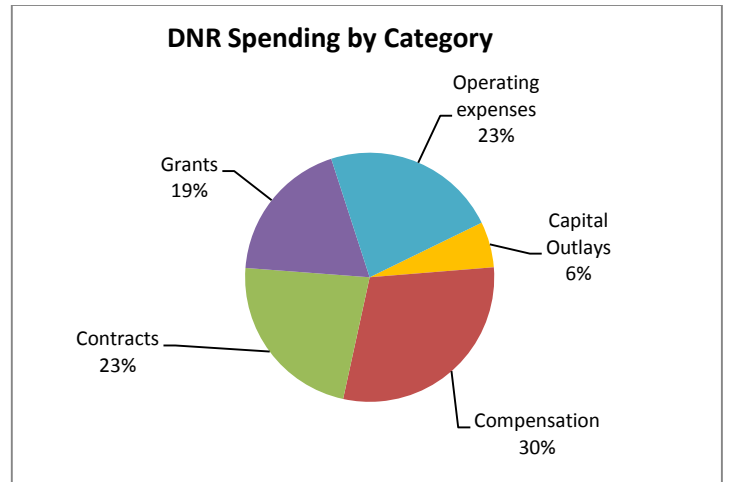
### *Clean Water Fund*

We use these dollars to protect, enhance, and restore water quality in surface and groundwater. The Clean Water Council as well as an interagency committee of state agencies makes funding recommendations to the governor. We received \$17 million from this fund for FY16-17, which accounts for 7% of our Legacy funds and 2% of our overall budget.

### *Parks and Trails Fund*

We use these dollars to support parks and trails of regional or statewide significance. All of these dollars are spent by our Parks and Trails division and a third of these dollars are for pass-through grants. We receive \$54 million from this fund, which accounts for 22% of our Legacy funds and 5% of our overall biennial budget. What do we spend our money on?

Our largest expense is compensation, which is roughly 30% of our total budget. We employed over 4,700 people across the state in 2015. These employees worked over 5 million hours which translates into approximately 2,700 full-time equivalents (FTE). Compensation is the largest expenditure for all of our seven divisions.



The next largest spending categories are contracts and operating expenses. We contract for services when we need skills that we do not have or when our internal staffing is insufficient. Next, we send over \$244 million out the door as grants to local governments and non-governmental organizations to help fulfill our mission. The smallest spending category is capital outlay.

### **Division Budgets**

We structure our budget around our seven divisions. Our largest division is Parks and Trails, which accounts for 23% of our total spending. Below is a high level summary of key budget information for each division.

#### **Lands and Minerals (LAM) \$88.5 million biennial budget**

Responsible for implementing land policy on state-owned lands and providing fiduciary oversight for real estate and minerals transactions that relate to state ownership. A majority of LAM's spending, not including PILT payments to counties, occurs in the mineral management account in the natural resources fund, which is sourced primarily by mineral mining royalties. A small percent of their overall budget comes from the General Fund direct appropriations—\$4.4 million or 17%. The LAM budget also includes the pass through PILT payments discussed previously.

Ecological and Water Resources (EWR) \$141.5 million biennial budget

Dedicated to promoting and delivering integrated conservation of Minnesota's water resources, biological diversity, and ecosystem services to achieve healthy watersheds throughout Minnesota, and ensure a high quality of life for present and future generations. EWR receives \$35.2 million from the General Fund, which is 25% of EWR's budget. EWR operates out of various funds, chiefly the Natural Resources fund, the Clean Water Fund, and the Outdoor Heritage Fund, which make up 15%, 10% and 10% percent respectively.

Forestry (FOR) \$143.3 million biennial budget

Sustains Minnesota's forest ecosystems in a healthy, resilient, and productive state to ensure that current and future generations enjoy a full range of forest benefits. FOR has a General Fund biennial budget of \$75.3 million, which accounts for 53% of the FOR budget. We can access additional dollars as needed to fight forest fires; historically, we have spent an average of \$18.3 million per year for this purpose.

Parks and Trails (PAT) \$250.9 million biennial budget

Provides a state park and recreation system and creates recreation opportunities through a system of trails and water recreation facilities that conserves and manages Minnesota's natural, scenic, and cultural resources. PAT receives \$52.4 million in General Fund support this biennium (21% of the PAT's budget), but also relies heavily on user fees from parks and recreation vehicles. Most of these fees are designated for a specific purpose and cannot be used for operations or trail maintenance. PAT also receives funding from the Parks and Trails Legacy Fund (\$54 million) which accounts for 21% of the PAT budget.

Fish and Wildlife (FAW) \$242.4 million biennial budget

Manages fish and wildlife, their habitats, and the public use of fish and wildlife. The FAW division does not receive dollars from the General Fund, but instead relies largely on the Game and Fish Fund (\$166.5 million or 69%) and the Outdoor Heritage Fund (\$47 million in FY16-17 or 19% of the biennial budget).

Enforcement (ENF) \$80.1 million biennial budget

Ensures compliance with laws regarding state game and fish, recreational vehicles, natural resource commercial operations, environmental protection, and public safety. The ENF budget primarily comes from the Game and Fish Fund (\$50.3 million or 63%) and the Natural Resources Fund (\$20.6 million or 26%). Enforcement receives \$8.4 million from the General Fund, which is 10% of the ENF budget.

Operations Services (OSD) \$139.6 million biennial budget

Provides administrative leadership and support to the entire agency, direct services to the general public and financial assistance to local governments and private organizations to build recreation facilities and to protect and enhance natural areas. The OSD division relies on internal billings, which means that OSD bills the other divisions for the administrative support they receive. The legislative approved this funding structure in 2008. The OSD budget also includes pass through dollars of \$128.8 million appropriated through the Environment and Natural Resources Trust Fund and the Outdoor Heritage Fund. There is an additional \$162.2 million of activity in OSD funded through internal charges to divisions that is excluded to avoid double-counting expenditures across the agency.

More information on each division available on the DNR website: <http://www.dnr.state.mn.us>