Department of Natural Resources Biennial Budget FY26-27

This document provides a high-level summary of our FY26-27 biennial budget highlighting key information about where our funding comes from and how we use it.

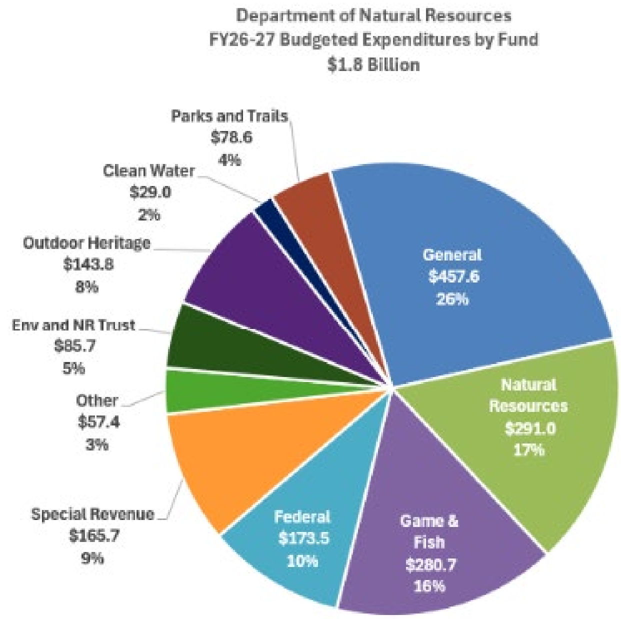
The state of Minnesota budgets on a two-year (biennial) funding cycle. The legislature and governor establish our "base" budget in the odd-numbered year and amend it in the even-numbered year. Our FY26-27 biennial budget is $1.8 billion and is used to support our mission:

To work with Minnesotans to conserve and manage the state's natural resources, to provide outdoor recreation opportunities, and to provide for commercial uses of natural resources in a way that creates a sustainable quality of life.

Like 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) Operations Services. Parks and Trails has the largest budget ($348 million) and accounts for 18% of our total spending. Lands and Minerals is our smallest division and constitutes 3% of our budget. We have an eighth aspect of our budget for monies that we do not use for our operations. They are either appropriations to non-state entities or payments that the DNR makes on behalf of the state. We refer to these monies as *pass-through funds*, which make up 15% of our FY26-27 budget. New to FY26, we have the Community Grant program, with a budget of $28.2M, the program strives to increase the number and diversity of grant recipients.

We manage our budget across more than 50 funds, and most of our fiscal activity occurs in four primary funds: General Fund (26%), Natural Resources Fund (17%), Game and Fish Fund (16%), and Federal Fund (10%). Together, these account for 68% of our spending.



<u>Where do we get our funding?</u>

<u>The General Fund</u>

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.

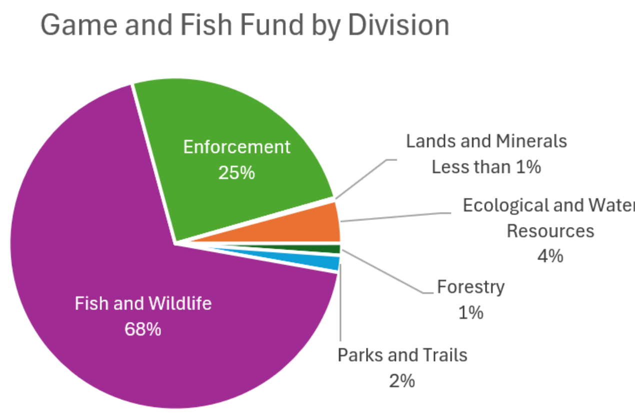
Our FY26-27 General Fund budget is $457.6 million, which is less than 1% of the total General Fund spending for the state. Sixty percent of these dollars (or $273 million) are direct appropriations for managing of the state parks and trails, minimizing the spread of invasive species, managing the state's 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% of the General Fund budget 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 Tribal governments 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 $50 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 and the Leech Lake Band agreement. These are roughly $9 million annually. Lastly, we have authority to access General Fund dollars (as needed), so that we can respond quickly to wildfires. For FY26-27, this is estimated at $31 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 68% of our GFF expenditures, over half of which is spent on compensation.

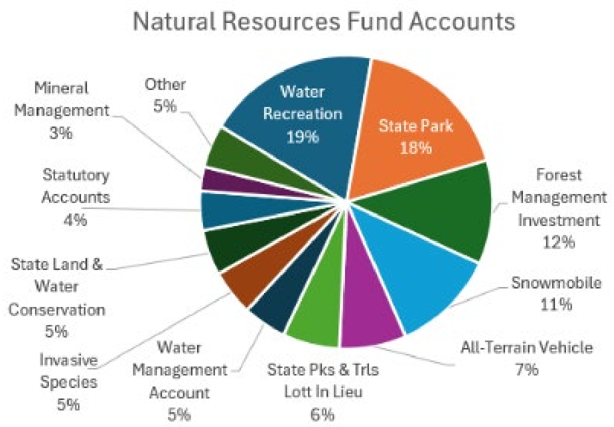


The fund is sourced by a variety of revenues that directly relate to the programs they support. Sales of hunting and fishing licenses contributed 54% of GFF total revenue in FY25. We also receive federal funds through the federal sport fish and wildlife federal grants. We estimate these funds at $95.5 million in the FY26-27 biennium. Together, these license and federal revenue contribute about 95% of the fund.

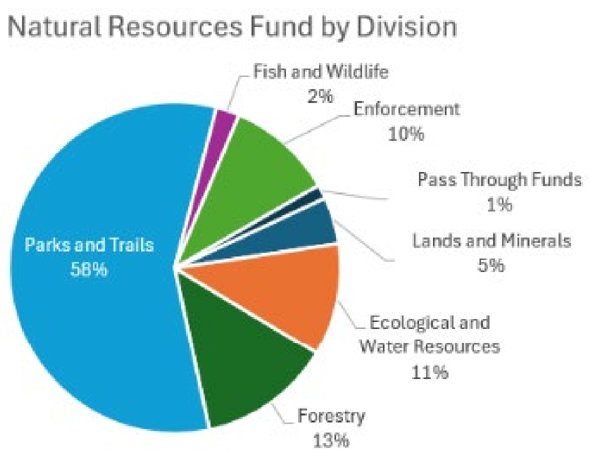
For more information about the Game and Fish Fund, please see our annual Game and Fish Report available on our website.

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 17% of our total budget. This fund consists of 22 accounts that are all dedicated for a specific purpose ranging from water-based recreation to forest management to state parks. The two largest accounts are Water Recreation and State Parks, which make up 19% and 18% of the Natural Resources Fund budget, respectively.



Our Parks and Trails Division accounts for 58% of our NR spending, nearly 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 FY25. For more information about the Natural Resources Fund, please see our annual Natural Resources Fund Report available on our website.

An important aspect of our budget is that a significant portion of our spending authority in GFF and NR 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 collect to ensure that our funds stay healthy. This can limit our ability to provide services at the "right" level and fulfill our mission.

Federal Grants

We receive a variety of funding from the federal government for research, boat and water safety, trail development, disaster response, wildlife habitat protection, and special projects. We expect to receive $173.5 million, which is 10% of our FY26-27 biennial budget.

Constitutionally-Dedicated Funding

In 1988, 2008, and 2024 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) they fund one-time projects 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 funding expires after 25 years. In FY26-27, we received $337.2 million, which accounts for 19% of our FY26-27 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 part of this fund and makes annual funding recommendations to the legislature. We received $85.7 million in total from this fund in FY26, which is 5% of our overall biennial budget.

Along with the monies going to the DNR and pass-through funds, new in FY26, $28.2 million of the ENRTF's funding is for a Community Grant program. This one-time money is available until the end of FY29 and will increase the number and diversity of grant recipients, focusing specifically on communities with environmental degradation.

Outdoor Heritage Fund

These dollars are used to restore, protect and enhance land and water for fish, game and wildlife. The Lessard-Sams Outdoor Heritage Council (LSOHC) oversees this Fund and makes recommendations to the legislature annually. We received $143.8 million from this fund in FY26, which accounts for 57% of our Legacy Funds and 8% of our biennial budget. Of this, $101.2 million is for pass-through grants to local governments and external organizations.

Clean Water Fund

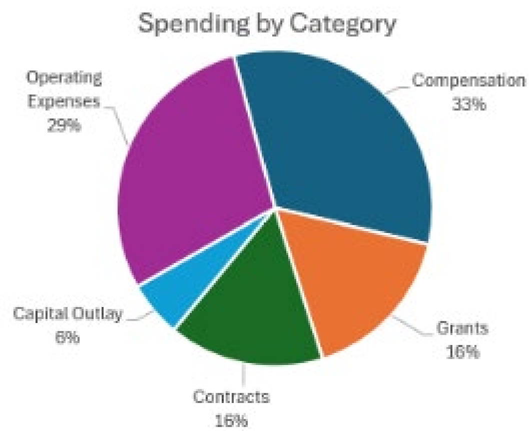
Funding is used to protect, enhance, and restore water quality in surface and groundwater. The Clean Water Council as well as an interagency committee of state agencies makes funding recommendations to the governor. We received $29 million from this fund for FY26-27, which accounts for 12% of our Legacy Funds and 2% of our overall biennial budget.

Parks and Trails Fund

We use this funding to support parks and trails of regional or statewide significance. All of these dollars are spent by our Parks and Trails division and 32% of these dollars are for pass-through grants. We received $78.6 million from this fund, which accounts for 31% of our Legacy Funds and 4% of our biennial budget.

What do we spend our money on?

Our largest expense is compensation, which is 33% of our total budget. We employed approximately 3,350 people across the state in FY25, which translates into approximately 2,800 full-time equivalents (FTE). This trend is consistent across all our divisions.



Operating expenses is the next largest spending category. Examples of operating expenses include supplies, equipment, rent, and fleet. The third largest spending category is grants. We send nearly $324 million out the door to local governments and non-governmental organizations to help fulfill our mission.

The two smallest categories are contracts and capital outlay. In any given year, we may also contract for services when we need skills that we do not have or when our internal staffing is insufficient. Capital outlay includes building repairs, and improvements, and land acquisition. Please note that this summary does not include expenditures or appropriations from the bond fund.

Division Budgets

We structure our budget around our seven divisions. Our largest division is Parks and Trails, which accounts for 20% of our total spending. Below is a high-level summary of key budget information for each division.

Lands and Minerals (LAM)
Size of Biennial budget: $44.3 million
Number of FTE (FY25): 93

Responsible for implementing land policy on state-owned lands and providing fiduciary oversight for real estate and minerals transactions that relate to state ownership. LAM's budget comes from three main sources: the General Fund ($10 million or 23%), Special Revenue (20 million or 44%), and the Natural Resources Fund (14 million or 30%). The Mineral Management Account in the Natural Resources Fund, is sourced primarily by mining- related rents and royalties.

Ecological and Water Resources (EWR)
Size of Biennial budget: $249 million
Number of FTE (FY25): 414

Dedicated to promoting and delivering integrated conservation of Minnesota's water resources, biological diversity, and ecosystem services to achieve healthy watersheds throughout Minnesota, and ensuring a high quality of life for present and future generations. EWR receives $51.1 million from the General Fund, which is 21% of EWR's budget. EWR operates out of various funds, including the Federal Fund and the Natural Resources Fund, which make up 32% and 13% respectively. EWR also receives funding from the Clean Water Fund ($23.7 million or 10%).

Forestry (FOR)
Size of Biennial budget: $249.4 million
Number of FTE (FY25): 509

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 $150.7 million, which accounts for 60% of the FOR budget. We can access additional General Fund dollars as needed to fight wildfires; historically, we have spent an average of $29 million per year for this purpose.

Parks and Trails (PAT)
Size of Biennial budget: $347.6 million
Number of FTE (FY25): 612

Creates outdoor opportunities through a state park and recreation system that conserves and manages Minnesota's natural, scenic, and cultural resources. PAT receives $72.8 million in General Fund support this biennium (21% of the PAT's budget) but also relies on user fees from parks and recreation vehicles. Most of these fees are designated for a specific purpose. PAT also receives funding from the Parks and Trails Legacy Fund ($53.4 million) which accounts for 15% of the PAT budget.

Fish and Wildlife (FAW)
Size of Biennial budget: $320.6 million
Number of FTE (FY25): 610

Manages and monitors fish and wildlife, their habitats, and the public use of fish and wildlife. FAW relies largely on the Game and Fish Fund ($189.5 million or 59%). FAW also receives funding from the General Fund ($19.9 million or 6%) and the Outdoor Heritage Fund ($33 million or 10% of the biennial budget).

Enforcement (ENF)
Size of Biennial budget: $140.7 million
Number of FTE (FY25): 258

Ensures compliance with laws regarding state game and fish, recreational vehicles, natural resource commercial operations, and environmental protection. The ENF budget primarily comes from the Game and Fish Fund ($69 million or 49%) and the Natural Resources Fund ($30.1 million or 22%). Enforcement receives $29 million from the General Fund, which is 21% of the ENF budget.

Operations Support (OPS)
Size of Biennial budget: $82.3 million
Number of FTE (FY25): 342

Provides administrative leadership and support to the entire agency and direct services to the public through the call center and website. The OPS division is funded through internal billings, which means that OPS bills the other divisions for the administrative support they receive. The legislative approved this funding structure in 2008. Please note: to avoid double-counting expenditures, we have excluded the $210 million of activity funded through these internal charges to divisions.

Community Grant Program
Size of Biennial budget: $28.2 million

Beginning in FY26, this program, which is nested in the Environment and Natural Resources Trust Fund, aims to specifically focus on communities that have been adversely affected by pollution and environmental degradation. A Community Grant Program advisory council will be appointed through an open application process and will review program elements and recommend changes to the Minnesota Legislature and DNR commissioner.

Pass-Through Funds
Size of Biennial budget: $301 million

Represents funding to local governments and non-governmental organizations to build recreation facilities and to protect and enhance natural areas. This includes pass-through dollars of $172.9 million appropriated through the Environment and Natural Resources Trust Fund and the Outdoor Heritage Fund. This also includes $99.7 million for PILT payments to counties discussed previously.

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