



October 15, 2010

The Honorable Ellen Anderson  
Env., Energy and N.R. Budget Division chair  
75 Rev. Dr. Martin Luther King Jr. Blvd.  
Capitol Building, Room 120  
St. Paul, Minnesota 55155-1606

The Honorable Jean Wagenius  
Environment and N.R. Finance chair  
449 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Commissioner Tom Hanson  
Minnesota Management and Budget  
658 Cedar Street  
St. Paul, Minnesota 55155

Dear Senator Anderson, Representative Wagenius and Commissioner Hanson:

Pursuant to Minnesota Statutes 97A.4742 Sub. 3, the commissioner of the Department of Natural Resources (DNR) is required to report on the adequacy of lifetime license fees and provide specific recommendations for fee adjustments.

Legislation was passed in 2000 providing for the sale of lifetime licenses for certain hunting and fishing activities. The new lifetime licenses were available for sale to state residents beginning March 1, 2001, and to non-residents beginning March 1, 2002.

At the time of implementation, assumptions were made regarding the interest rate, rate of fee increases, and percent of licenses activated annually. The chart below shows the original assumptions along with the actual outcomes.

	<b>Original Assumption</b>	<b>Actual Outcome</b>
<b>Annual Fee Increase</b>	4%	3.7%
<b>Average Investment Rate of Return</b>	8%	2.89%
<b>Annual License Activations</b>	75%	81%

Attached are two tables that demonstrate the impact of original assumptions and actual outcomes on the lifetime license fund balance, Table 1 reflects the status of the fund balance given the original assumptions. Under these assumptions, the fund balance remains positive throughout the life of the model. Table 2 reflects the status of the fund balance based on actual outcomes. This table indicates a negative balance in license year 2030. The 2008 report indicated a negative balance in license year 2051.

Like the report in 2008, the key difference between the original assumptions and the actual outcomes is the average investment rate of return, which continues to decline. To balance the fund, given the current conditions, the Legislature would need to raise lifetime license fees significantly, in some cases double.

The DNR recommends that when the legislature reviews annual license fees, they also review lifetime license fees.

Sincerely,

/s/ [Mark Holsten]

Mark Holsten, Commissioner  
Department of Natural Resources

Attachments (Table 1 and Table 2)

c: Laurie Martinson  
Bob Meier  
Denise Anderson